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Colonel Moamer Qadhafi of Libya was greeted in Khartoum by General Abdul Rahman Swaredhab of Sudan.

Qadhafi Pays Visit To Sudan

Depose Regimes Like Nimeiri's, He Urges Arabs

By The Associated Press
KHARTOUM, Sudan — Libya's leader, Colonel Moamer Qadhafi, in a brief visit to Khartoum, has called on other Arab armies to follow Sudan's example and overthrow "reactionary regimes."

Colonel Qadhafi spent four hours in the Sudanese capital on Saturday. The visit was the strongest indication yet of a rapprochement between the north African neighbors, which began shortly after Gaafar Nimeiri was deposed as Sudan's president on April 6.

The Libyan leader had long sought to overthrow General Nimeiri, who was a key U.S. ally in Africa. Libya and Sudan restored relations last month after a four-year break.

Colonel Qadhafi's visit was the third involving high-ranking dignitaries of the Libya and Sudan since the coup. The colonel also was the first foreign leader to visit Sudan since General Nimeiri was overthrown.

After his visit, Colonel Qadhafi flew on to Jeddah, where he had talks with King Fahd of Saudi Arabia, before leaving Sunday.

The welcoming delegation for Colonel Qadhafi at Khartoum Airport was headed by General Abdul Rahman Swaredhab, who led the coup and now is chairman of the ruling Transitional Military Council. The Libyan and Sudanese leaders held talks in an airport lounge.

Colonel Qadhafi said he had come to congratulate the Sudanese people and army "for the popular revolution that ended General Nimeiri's reactionary regime."

He said that the Sudanese military had "given the example of how armies can take the side of the masses."

"I also call on the armies in the Arab world to join the masses and oust reactionary regimes," he said.

Although the two sides have signed economic and cultural agreements, there has been no indication of financial aid from Libya to the stricken Sudanese economy. Libya, however, has said that it will stop supplying arms to non-Moamarian rebels in southern Sudan in an attempt to stop a civil war that is

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Wildfires Spread in South Florida

Brushfires spread around power-line pylons in the Everglades, causing power failures in southern Florida. Fires, described as the worst in Florida's history, burned more than 100,000 acres throughout the state over the weekend and left three persons dead. A state of emergency has been declared in some areas. Officials said that more than a hundred homes have been destroyed.

Christian Militia To Pull Out of South Lebanon

By Nora Boustany

BEIRUT — The new leader of Lebanon's main Christian militia has said that his forces will leave Jezzine, the last Christian enclave in southern Lebanon. At the request of Syria, he also ordered the closing of a Lebanese Christian liaison office in Israel.

The announcement Saturday represented a sharp reversal in the policy of the Christian militia and its leadership, in the view of observers, and a clear recognition on their part that Syria is replacing Israel as the dominant military power in Lebanon.

Elie Hobeika, head of the Lebanese Forces and leader of a group of dissident Christian commanders, said he would welcome deployment of Lebanese Army soldiers in Jezzine.

More than 60,000 Christian refugees have gathered there since late April, when Druze militiamen and their Muslim allies drove them from their homes in a push through the foothills of the Chuf mountains.

The withdrawal of Lebanese Forces militiamen and the Israel-sponsored South Lebanon Army from Jezzine would permit deployment there of regular Lebanese Army troops. Syria has reportedly demanded this before it will inter-

Islamic Jihad reportedly has rejected a Kuwaiti offer to free 17 prisoners. Page 2.

Shelling between the Lebanese Forces, fighting alongside the South Lebanon Army, and a string of Shiite Muslim villages near Jezzine had caused an exodus of residents and prompted Nabih Berri, leader of the Shiite Muslim Amal militia, to threaten to bombard Christian villages.

Mr. Hobeika replaced Samir Geagea as head of the Lebanese Forces on May 9, a month after Mr. Geagea, accusing the Lebanese government of being too closely allied to Syria, revolted against President Amin Gemayel. The appointment of Mr. Hobeika, who had been the militia's intelligence chief, was reportedly made at the insistence of Syria.

"In order to preserve the security of Jezzine and prevent a recurrence of what happened in the Sidon area, we welcome a quick deployment of the Lebanese Army," Mr. Hobeika said. "Orders have been given to our forces in Jezzine and the border strip, mostly logistics units, to return to their barracks in Beirut."

Mr. Hobeika's move also appeared to be a concession to Moslem demands and a show of good will.

Mr. Hobeika said instructions had been given for closing down the Lebanese Forces representative office in Israel, a move that effectively ends 10 years of close collaboration between the dominant Christian militia and Israel.

The office had been opened a year ago, with heavy publicity from Israel, but had been used largely as a propaganda arm of the Lebanese Christians. Israel used less-visible channels to communicate with the Christians, and apparently never considered the office a critical link.

Mr. Hobeika, through most of his military and political career, had been closely allied to Israel. But he announced a break, upon replacing Mr. Geagea, saying "crucial circumstances" in the past decade had "forced some of us to resort to certain regional powers hostile to our Arab environment."

He said the reason had been "merely for self-defense" of the Christian community and that he now saw "the necessity of returning to our Arab environment."

An Israeli government commission accused Mr. Hobeika of leading the massacre in September 1982 of hundreds of Palestinians at the Sabra and Chatila refugee camps in Beirut, then under Israeli control.

Asked to explain Mr. Hobeika's shift toward Syria, Christian sources said he "will be pro-Israeli if it is good for the Christian community, and he will be pro-Syrian if it is more beneficial for the Christians."

[Anti-aircraft fire struck President Gemayel's private wing at the government palace in suburban Baabda early Sunday as Christian and Moslem militias dueling with artillery, rockets and mortars along Beirut's Green Line. The Associated Press reported from Beirut. The police said neither Mr. Gemayel nor any of his staff was injured.]

Prisoner Swap Expected
A Palestinian commando group will exchange three Israeli soldiers Monday for 1,150 Palestinians and Lebanese held by Israel, Palestinian sources said Sunday in Damascus. Reuters reported.

Sweden's Ruling Party Struggles as Vote Nears

By Barnaby J. Feder

STOCKHOLM — For Sweden's governing Social Democrats, last week was about as bad as a week as any political party can stand with only four months to go before a national election.

A pay dispute with the largest white-collar civil service union became deadlocked, forcing the government to lock out more than 50,000 union members, including thousands of teachers. Many state-run services, including all of Sweden's airports, have been indefinitely shut down.

On top of that, Swedish consumers have had so much money, a lot of it on credit, and have been spending it so freely on imports that the government missed interest rates sharply to halt a rapid deterioration of the balance of payments. More and more Swedes are skeptical about the Social Democrats' explanations for these and other problems.

Sweden remains a bedrock of Western socialism, but it has been affected by the political and economic conservatism that has influenced much of the rest of Europe. Those who argue that the welfare state must be trimmed back have

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gained support, and the Social Democrats and their Communist partners in government are clearly on the defensive.

The biggest gainer, especially among young voters, has been the Moderate Party, the most conservative of the non-Socialist parties. Much of its appeal is based on a pledge to lower taxes, which are the highest in the industrial world.

But the promise by Moderate leaders to open up some government services, such as day care and medical care, to private competition also has wide appeal among Swedes, who increasingly resent

(Continued on Page 2, Col. 1)

U.S. and Soviet to Open Talks on Trade Today

By Clyde H. Farnsworth

WASHINGTON — The United States and the Soviet Union are to open trade talks Monday at the highest level since relations turned sour after the Russians intervened in Afghanistan in 1979.

Secretary of Commerce Malcolm Baldrige and the Soviet foreign trade minister, Nikolai S. Patolchev, will meet for two days in Moscow to try to iron out some of the many difficulties and discuss the kinds of trade that might be expanded.

Prospects for breakthroughs are clouded, however, by policy struggles in the Reagan administration and by Soviet unpredictability. President Ronald Reagan, chiefly at the urging of Secretary of State George F. Shultz, agreed to let Mr. Baldrige try to strengthen trade links. Defense Secretary Caspar W. Weinberger strongly opposed the trip.

Mr. Weinberger fears the Russians will buy U.S. technology and adapt it for uses such as more accurate missiles or better anti-submarine sensors. He contends U.S. technology already obtained by Moscow has reduced costs of Soviet weapons and forced Washington to spend even more to stay ahead.

Mr. Weinberger also wanted to cancel the Baldrige trip to protest the death of Major Arthur D. Nicholson Jr., a member of the American liaison unit who was shot by a Soviet soldier in East Germany in March. He also opposes commitments that might let the Russians buy advanced oil exploration and drilling equipment to boost lagging production.

The administration's ability to move on trade is hobbled by congressional constraints. Many barriers are embedded in legislation; among them are a ban on fur imports dating from the Korean War and denial of most-favored-nation trade privileges, which provide for a generalized lowering of tariffs.

Many analysts say that dramatic Soviet gestures on human rights will be needed if Congress is to become responsive to relaxing the curbs. For example, Moscow might release the imprisoned computer scientist, Anatoli B. Shcharansky, or permit Yelena G. Bonner, the wife of Andrei D. Sakharov, the

Nobel Peace Prize winner and dissident physicist, to go abroad for medical treatment.

Nevertheless, Mr. Baldrige, supported by Mr. Shultz and much of the U.S. business community, believes nonstrategic trade can be expanded. Earlier this year, the United States lifted restrictions on the sale of personal computers, while strengthening controls over more sophisticated equipment and software.

A principal Soviet demand, according to senior U.S. trade officials, is for a guarantee against further embargoes that would break existing contracts. After earlier embargoes, U.S. reliability as a supplier was questioned. The Russians have used this as an argument in refusing to let Americans bid for Soviet contracts or stage seminars and trade promotions in Moscow.

Following trade sanctions imposed to protest the imprisonment of Mr. Shcharansky, the intervention in Afghanistan and martial law in Poland, Soviet-American trade fell to \$3.3 billion last year from \$3.6 billion in 1979. U.S. exports, mainly grain, far exceed imports. The principal Soviet export to the United States is light fuel oils.

At the request of the Costa Rican government, 20 U.S. Army Special Forces advisers have begun to train

750 Costa Rican Civil Guard officers in basic military skills. The Civil Guard is a national police force.

The arrival of the American trainers, who are to stay about five months, provoked public objections, a shouting match in the Costa Rican Congress and an acrimonious debate within the government.

In Nicaragua, Julio Ramos Arguello, the chief of intelligence for the Nicaraguan Army, said last week that he believed that the U.S. advisers were setting up a base that could be used if the United States ever invaded Nicaragua. Both U.S. and Costa Rican officials have denied the assertion.

A senior Costa Rican government official said that Mr. Monge had serious misgivings about inviting the U.S. advisers.

The minister of public security, Benjamin Fiza Carranza, requested that they be sent, the official said. Although Mr. Monge was unhappy with the request, the official said, he did not rescind it out of fear of straining American good will.

The official added: "The U.S. is supporting the Costa Rican economy. Costa Rica is to receive nearly \$200 million in loans and grants from the United States this year."



PAPAL MASK — Pope John Paul II peeked from behind a mask presented to him on his Belgian tour. On Sunday, he assailed racism, totalitarian regimes and profit-dominated economic systems, and said that the Roman Catholic Church's teachings on sex and marriage would not be changed to suit "contemporary states of mind." Page 2.

Yugoslav Leader Struggles to Deal With Economy

By David Binder

NEW YORK TIMES SERVICE
BELGRADE — Two weeks before a visit to the United States, Prime Minister Milka Planinc says a faltering economy has brought Yugoslavia "to the point of a rather dangerous limit of what people will tolerate."

"The most serious problem," Mrs. Planinc, 60, said in an interview Friday, "is that we have not been able to increase productivity as much as is needed, or to increase the standard of living."

The annual inflation rate was nearly 80 percent for the first four months of the year; the unemployment rate of 15 percent of the work force is said to be Europe's highest; exports are stagnating.

"But we cannot allow ourselves to grow weary and give up, or return to uneconomic policies," she said.

As for her own role in overseeing the economy, she said: "People need a determined and courageous person, and I am determined and courageous. People believe one such person can solve the problems, but it takes more than one."

Mrs. Planinc has been prime minister since May 1982 and has one more year to go under the Yugoslav system of rotation. A recent opinion poll by the weekly NIN cast her as the most popular political personality in the country. Asked about this, she replied:

"I am not the type that welcomes a superficial and comforting sense of popularity. I experience this more as a burden or responsibility. It is a result more of a belief that a single man or woman can do more than they can really accomplish."

She has been described as someone hardheaded enough to resist the temptation to go on borrowing, while allowing the laws of the marketplace to penetrate the economy more deeply. Her prominence in a country where other leaders since the death of President Tito five years ago have seemed colorless has made her into a scapegoat as much as an object of approval.

Mrs. Planinc said she would be conferring with government leaders and with bankers during her

visit to the United States this month.

"Cooperation with the United States is a strategic option of ours," she said. "We were allies, close allies, in World War II. Our two peoples have sympathies for each other."

"I would like to see everything," she said of her first visit to the United States, "but prime ministers never get the opportunity to see much, the opportunity to walk down the streets and see the sights. I will have to wait until I cease being prime minister."

Asked about her memories of her service in the partisans during the war, she replied:

"My youth was spent at a time that assured me a life with a lot of substance. Those were dangerous times. I vividly recall very hard, very dramatic moments that left deep scars. Not only for me but for Yugoslavia as a people. Fortunately it is inborn that people hold on to memories that are nice, that are pleasant, rather than the atrocities they underwent. What left the deepest imprint was the feeling of what people, as a group and as

individuals, can do when they experience a unity of stance and of courage.

Turning to Yugoslavia's relations with its neighbors, she said the country had benefited from Tito's foresight in seeking good relations with countries of different systems.

She said, however, that problems remained with Bulgaria over the Macedonian issue. Belgrade considers the Macedonians, who live in southern Yugoslavia, a separate Slavic ethnic group and has constituted them as one of the federal republics that make up Yugoslavia.

Bulgaria has had a historical claim on Macedonia on ethnic grounds and temporarily occupied Yugoslav Macedonia in World War II, when Bulgaria sided with the Axis against Yugoslavia.

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"This is an important visit because both countries now have new, young leadership," Foreign Secretary Ramesh Bhandari said Saturday in a reference to the rise to power of Mr. Gorbachev, 54, in March and Mr. Gandhi, 40, last October.

The Indian leader is to visit Moscow before touring Egypt, France, the United States, Algeria and Switzerland next month.

Political analysts said that Mr. Gandhi, who became prime minister after his mother, Indira Gandhi, was assassinated on Oct. 31, hopes to reaffirm India's traditionally close ties with the Soviet Union by visiting Moscow first.

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WORLD BRIEFS

France to Step Up Air Show Security

PARIS (Reuters) — More than 2,000 police officers, along with explosives experts and bomb-sniffing dogs, have been called in to reinforce security at the Paris Air Show, which begins May 31 at Le Bourget airport, according to a senior police official.

The official, Francois d'Huet, director of the regional police force, said Saturday that the measures were taken after a series of attacks against West European installations of the North Atlantic Treaty Organization. Mr. d'Huet said that the measures would include video surveillance, metal detectors and dogs trained to sniff out explosives.

The U.S. Embassy in Paris has told the U.S. Commerce Department and several American companies planning exhibits at the show that it had received information about potential threats. Many of the American exhibitors supply equipment to the military and aerospace industries. About 1,100 companies from 33 countries will be represented at the show, which runs until June 9.

Arms Smuggling Disputed in Salvador

SAN SALVADOR (AP) — An American tugboat and a barge intercepted by the Salvadoran Navy were carrying tallow for making soap, not weapons for Salvadoran rebels, according to a port official.

President Jose Napoleon Duarte, on a U.S. visit, said Friday in New York that the Salvadoran Navy had apparently seized a boat smuggling weapons from Nicaragua to the Salvadoran guerrillas, though he added that the report had not been confirmed.

The tugboat and a barge of unknown registry were intercepted Thursday and taken to the port of La Union. A port official there said Friday that the tugboat, registered in Houston, was transporting cotton. But after an inspection Saturday, he said the boats were carrying tallow. In a communiqué issued Friday in Managua, the Sandinista government rejected the smuggling charges "categorically and energetically" as part of a "campaign of calumnies."

Apartheid Protesters Acquitted in U.S.

CHICAGO (NYT) — Eight persons accused of trespassing at the South African Consulate in Chicago have been acquitted after arguing in court that their action was justified in seeking to prevent "greater crimes" in South Africa.

The trial, which ended Friday, apparently was the first of defendants from among people arrested around the United States in the past six months for protesting South Africa's racial separation policies. Charges have been dropped in other cases.

Defense lawyers based their arguments on an Illinois statute that excuses criminal conduct if it can be expected to avoid a greater injury. "We have a right to act reasonably to prevent the commission of greater crimes in South Africa," said Timothy Wright, a defense lawyer.

U.S. Expected to Slow Refugee Intake

BANGKOK (UPI) — The United States will stop interviewing Cambodian refugees for resettlement in the United States next month, a Western diplomatic source said Sunday. Nongovernmental Western aid workers in Thailand said an end to interviewing would virtually halt the resettlement of Cambodians in the United States.

They said the United States appeared to be trying to reduce the number of Indochinese refugees it accepts. More than 375,000 have entered the country since 1975. The United States has already accepted more than 125,000 out of about 190,000 Cambodians who have been resettled in third countries since the Communist takeover in 1975.

The diplomatic source said the interviewing was expected to end in early June because most of those eligible for resettlement to the United States had already been interviewed. Thai officials have allowed Indochinese refugees to enter their country temporarily based on a pledge by Western nations that all of them would be resettled abroad.

Guards Accused of Harassing Mandela

BRANDFORD, South Africa (WP) — Nelson Mandela, the imprisoned black nationalist leader, says that he is being victimized for his rejection of an offer of conditional release, according to his wife, Winnie Mandela. The Prisons Department has denied the allegation.

In a recent interview, Mrs. Mandela said he told her at Cape Town's Pollsmoor Prison that his conditions and those of four other leaders of the outlawed African National Congress had been "made very difficult" since they rejected the offer, made in February by President Pieter W. Botha. They had said they would accept no conditions until apartheid was abolished.

"Nelson told me that they were being continually harassed in an indirect way," Mrs. Mandela said in the interview, adding that she had been searched by prison guards before her visit for the first time in 23 years. Her daughter, Zindzi, who visited soon afterward, was subjected to a body search, Mrs. Mandela said. The Prisons Department denied the allegations Saturday.

For the Record

Nicaragua is moving its trade office for North America from Miami to Toronto, Canadian officials said Saturday. The Globe and Mail in Toronto quoted Casimira Sotelo, the Nicaraguan ambassador, as saying the transfer was hastened by the U.S. trade embargo.

Radio Martí, the long-postponed U.S. project to broadcast to Cuba, is to go on the air Monday, according to Senator Paula Hawkins, Republican of Florida, and Lawton Chiles, Democrat of Florida. (AP) Bombings in the United States killed six persons, injured 112 and caused \$3.6 million in property damage in 1984, the FBI said Saturday. It said there were 803 bombings in the year.

A Soviet aircraft thought to have gone down at sea near Sakhalin Island last week was probably a cargo plane, not an airliner, according to a Western defense official in Tokyo. (WP)

Sweden's Ruling Party Struggles as Vote Nears

(Continued from Page 1)

the bureaucracy that has grown up with the welfare state.

Perhaps the clearest indication of the shift, many say, is a new pro-business attitude that has made heroes of not just the captains of industry but also of small entrepreneurs.

"Leading executives with big business had prestige during the 1950s and 1960s because they contributed to the centralization of power in which the Social Democratic governments, labor unions and business cooperated," said Ulf Jakobsson, chief economist for the Swedish Employers' Confederation.

"That changed during the radicalism of the 1970s, but the change is the rise in respect for small-businessmen. For 40 or 50 years, building your own business had been seen as little better than being a gangster."

Against these changes, the Social Democrats and Prime Minister Olof Palme have been trying to whittle away at the high inflation rate and budget deficit while reinforcing and in some cases extending the welfare state.

The election-year drive to convince Swedes that the country is on what the Social Democrats call

"the right path" appeared to be making progress until recently.

The financial crisis had been building since November, not just because of consumer spending but also because of the high cost of oil imports during a cold winter, heavy investments by industry in foreign-made materials, interest payments on the national debt and the reluctance of Swedish multinationals to borrow in other currencies to finance overseas investments.

But the financial imbalances were scarcely noticed by most Swedes until early this month, when the civil servants' union began a strike by 20,000 of its 263,000 members aimed at getting a retroactive pay raise it says the government owes it.

The strike brought the trade in many goods to a standstill. Some services, such as the issuing of passports and inspections at slaughterhouses, were also interrupted. The government looked out the 50,000 workers in an effort to drain the union of funds by mid-June.

The dispute involves a small sum, about \$15 a month per worker, after taxes, but it has become a test of the government's will to fight for its inflation targets. The Social Democrats cannot make the concession to the civil servants without touching off new demands from other unions.

The labor dispute and the financial crisis, which worsened when the strike began, have helped the opposition's argument that the Social Democratic program is one of crisis management that ducks the need to cut back on what many see as an unsustainable level of public spending.

"We have the highest living standard we have ever had," said Ulf Adelsöhn, leader of the Moderate Party, in a recent newspaper interview, "but we have it on loan."

Pope Urges War Against Enslavement Of Mankind

The Associated Press

BRUSSELS — Pope John Paul II attacked racism, totalitarian regimes and profit-dominated economic systems Sunday, calling for a "war against whatever enslaves mankind."

The pontiff started his fourth day in Belgium with a warning to 100,000 people at an outdoor mass that the church's strict teachings on sex and marriage would not be changed to suit "contemporary states of mind."

The pope later went Our Lady of Laeken Church and told several thousand Christian trade unionists, "a noble war should be waged for social justice."

He said Christians "wage an original war against whatever enslaves mankind."

He cited the need of solidarity among workers worldwide in the fight against injustice.

The pope has frequently called a job a basic human right and condemned discrimination based on sex, religion, race and national origin.

Speaking in Flemish, French and German, Belgium's three languages, the pontiff also urged this linguistically divided nation of 10 million to pursue peace within the country.

65th Birthday

The pope celebrated his 65th birthday Saturday in Beauriving with talk of Christian unity and a stern warning to youth against the exploitation "of our weaknesses and our passions." The New York Times reported.

John Paul, who has been criticized by some Protestant leaders for slowing ecumenical dialogue, also called on the Christian churches to "practice a wider hospitality."

The pope made his address on relations between the Christian churches in Mechelen, the city where unity talks between Roman Catholic and Anglican church leaders were held between 1921 and 1925.

He repeated his belief that the cause of unity would not be served by "concealing discord" or through "superficial and precarious compromises" among the faiths.

Qadhafi Asks Overthrow of Reactionaries

(Continued from Page 1)

said to be costing the Khartoum government \$1 million a day.

In Saudi Arabia, according to the state-run Libyan radio, Colonel Qadhafi led anti-U.S. chanting at Mecca after performing the pilgrimage rites Saturday night.

The radio broadcast, monitored in London, said that Colonel Qadhafi and the masses crowding the place outside the Kaaba, Islam's holiest shrine, shouted: "God is great. Victory for the Arab nation. Down with the United States, the enemy of Islam."

According to the broadcast, the hostile slogans also were directed against King Hussein of Jordan and President Hosni Mubarak of Egypt, who were both described as "enemies of God and agents of Zionism."

The official Saudi Press Agency reported Colonel Qadhafi's 18-hour visit but did not give any details about the talks with King Fahd.

Arab diplomats, who asked not to be identified, said the talks had centered on support for the Sudanese leadership that overthrew General Nimeiri, ways to end the Iran-Iraq war and ways to heal Arab rifts, including the one between Colonel Qadhafi and the chairman of the Palestine Liberation Organization, Yasser Arafat.

The talks between Colonel Qadhafi and King Fahd were expected to strengthen ties between the two countries, which reached a low ebb in 1982.

Bangladesh Takes Lead In Population Density

Reuters

DHAKA, Bangladesh — Bangladesh is the world's most densely populated country with nearly 101.5 million people living in 55,000 square miles, or 143,000 square kilometers, according to a research report published here.

The Washington-based Population Research Bureau also said that the population had increased by about 11 million over the last four years.

Gandhi to Sign Pacts on Moscow Visit

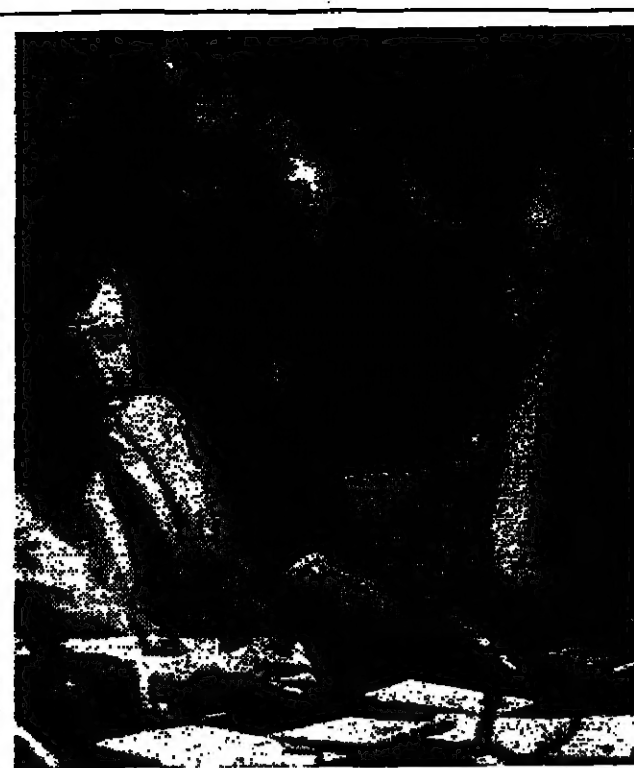
(Continued from Page 1)

dian-U.S. trade has increased from \$1.5 billion in 1977 to \$3 billion in 1982 and \$4 billion in 1983.

Gorbachev Gives Interview

The official Soviet news agency Tass said Sunday that Mr. Gorbachev, in his first interview with a foreign journalist since becoming the Soviet party chief, has accused the United States of scuttling efforts to make the Indian Ocean a "zone of peace." The Associated Press reported from Moscow.

Mr. Gorbachev made the remarks in an interview with the Moscow-based correspondent of the Press Trust of India on Saturday.



MOVE ON APARTHEID — University of California regents suspended investments in companies trading with South Africa, but postponed a decision on selling such holdings, despite protests outside the meeting in Berkeley. At left is Governor George Deukmejian.

Carrington Cautions West on Talks

By Karen DeYoung

Washington Post Service

LONDON — The secretary-general of the North Atlantic Treaty Organization, Lord Carrington, has warned the West against being tempted by Soviet efforts in Geneva to link reductions in offensive nuclear weapons to U.S. abandonment of research on its Strategic Defense Initiative.

Meeting with U.S. correspondents, Lord Carrington cautioned Friday against giving "things away before the hard bargaining actually starts."

His remarks seemed to be addressed to the government and opposition factions in NATO countries that contend that the Reagan administration has taken an intransigent position at U.S.-Soviet arms talks in Geneva on SDI, a program of space-based defense against nuclear missiles. The talks are to resume May 30.

"What the United States does with SDI is for the United States to decide," Lord Carrington said. He suggested that the Soviet Union, possibly spurred on by anxious U.S. allies, should not set the terms for arms-control negotiations.

Lord Carrington cautioned against any offer by the Soviet Union promising reductions in offensive missiles for curtailment of SDI. He said that despite the appeal that such an offer might have for public opinion in the West, it was not verifiable at the research stage.

He also said there was no way of knowing if Soviet research on a similar space-based defense system was under way.

The Soviet Union is insisting on curtailment of space-based defense systems as a condition for offensive missile cuts. The Reagan administration has said that it will discuss the SDI program but that its research phase is not negotiable. It has supported that argument with

assertions that Moscow is far along in its own such research program.

Some NATO allies have expressed concern over the ultimate deployment of space-defense weapons. Norway, Denmark and France have said they will not accept a U.S. invitation to participate in SDI research. But NATO defense ministers meeting in Luxembourg in March pledged support for the research phase of the program.

Some NATO members, particularly West Germany, the Netherlands and Belgium, have sought a firmer U.S. indication that SDI would be negotiable under certain conditions, including the offer of a major Soviet reduction in offensive nuclear weapons.

U.S. officials are known to be concerned about the West German government of Chancellor Helmut Kohl, who has been criticized by his own party for being too supportive of President Ronald Reagan.

Lord Carrington said the prospect of drawn-out negotiations in Geneva made a united NATO front on such issues as SDI vital.

"The problem is going to be to keep a consistent, united front in the face of what are likely to be two or three elections every year in Europe," he said. "A consistent East-West strategy within an alliance of 16 is very difficult to maintain."

NATO Ministers to Meet

NATO defense ministers will pledge this week to make a special effort to remedy deficiencies in

Ulster Unionists Vow to Prevent Sinn Fein From Exploiting Success

By Jo Thomas

MAGHERAFELT, Northern Ireland — The success of Sinn Fein, the Irish Republican Army's political wing, in Northern Ireland's local government elections has been greeted with expressions of disappointment from Dublin and renewed assertions by British officials that they would not meet with its elected representatives.

Unionist politicians warned that they would do everything possible to deny the party the chance to exploit its success.

Sinn Fein, which entered local government elections across the province for the first time, won 59 seats and a voice in 17 of the 26 councils. Most of the councils are controlled by Unionists, who want Northern Ireland to remain British.

"There's no issue on which we'd have common ground," Harold McCusker, a spokesman for the Official Unionist Party, said of Sinn Fein.

"I don't think anyone doubts they have support," he said. "If they didn't, they wouldn't be murdering my colleagues and getting away with it."

The Official Unionist Party led in the results, with 190 seats.

Nicholas Scott, the British under-secretary of state for Northern Ireland, said on British radio that the government would meet with Sinn Fein only if it renounced violence.

Peter Barry, the Irish foreign minister, expressed disappointment over the vote for Sinn Fein.

"As the talks between Dublin and London were progressing," he said, "this should have given encouragement to nationalists to back constitutional politics rather than the politics of violence, which is what Sinn Fein are about."

The pressure now seems to be on the Social Democratic and Labor Party, a nationalist party that condemns violence. The party won 101 seats with 17.8 percent of the votes, still ahead of Sinn Fein, which won 11.8 percent. There are six councils where the party will have to work with Sinn Fein or some combination of independents to have a nationalist majority.

"We will be doing no favors whatsoever for any of the Unionist parties," said Seamus Mallon, the Social Democratic and Labor Party's deputy leader. "We will ensure that nationalist strength will be seen on councils."

In Magherafelt, Londonderry, Sinn Fein's top vote-getter and his campaign manager were brothers of Anthony McBride, an IRA man shot dead by the army in December.

Sinn Fein complained during the campaign about arrests of its candidates and election workers. Among those who have been arrested since their election were Christopher Meehan of Cookstown and Alan Mackay of Belfast.

The police raided the Magherafelt campaign headquarters Saturday, breaking down the door and tearing panels from walls.

■ **FitzGerald Optimistic on Talks**
Prime Minister Garret FitzGerald said Saturday in Cork, Ireland, that there was a chance of finding a solution that would be "just acceptable" to the Protestants and Roman Catholic communities in Northern Ireland, Reuters reported.

At the annual congress of his Fine Gael party, Mr. FitzGerald said there was no certainty that the British-Irish talks on political structures for the British-ruled province would succeed, but he described the odds as evenly balanced.

"There is a real chance that a solution can be found that will be just acceptable to both sides," he said.

Italian-Albanian Talks End

The Associated Press

VIENNA — An Italian envoy, Bruno Corti, has left Albania after a "friendly talk" with Prime Minister Adil Canani, the official Albanian news agency, ATA, reported Sunday.

Lord Carrington

Kuwait Effort on U.S. Hostages Is Reported

By Ihsan A. Hijazi

New York Times Service

BEIRUT — Kuwait has offered to free 17 prisoners in return for the release of Americans kidnapped in Lebanon but the bargain has been rejected by Islamic Jihad because the fundamentalist group found the terms of the exchange unacceptable, according to Arab diplomats.

Kuwait made the offer in the last two months in contacts with Iran through Arab mediators, the diplomats said Saturday. They said that Kuwaiti officials had kept the U.S. government informed of the negotiations.

But in Washington on Saturday, a senior U.S. State Department official dismissed the statements of the Arab diplomats in Beirut as being fanciful.

The 17 prisoners held in Kuwaiti prisons were convicted for their part in bombings in December 1983 of the United States and French embassies in Kuwait and several Kuwaiti installations.

Last week, Islamic Jihad released photographs of four Americans and two Frenchmen kidnapped in West Beirut in the last year. It also released statements threatening "terrible consequences" if demands for the release of the 17 prisoners were rejected.

According to the diplomats, Kuwait has set three conditions for freeing the prisoners: that Islamic Jihad promise not to engage in terrorist activity in Kuwait or against Kuwaiti interests abroad; that the commitment be guaranteed by Iran, and that the organization release the Americans and any foreign hostages it may be holding.

Islamic Jihad reportedly replied that it accepts no restrictions on its activities from anyone, and the authorities in Tehran sent word they were not in any way involved in the matter.

Blasts in Riyadh

Islamic Jihad, in a telephone call to a Western news agency, claimed responsibility on Sunday for explosions that killed one person and wounded three in Riyadh on Saturday, United Press International reported from Beirut.

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Herald Tribune

Published With The New York Times and The Washington Post

A Chapter Ends in Italy

The difficult alliance between Italy's long-predominant Christian Democrats and the small Socialist Party of Prime Minister Bettino Craxi has been confirmed and strengthened; it will dominate Italian politics in the coming months, and perhaps for years. The Communists suffered a telling defeat at both national and the local levels. This, in summary, is the meaning of the regional, provincial and municipal elections of May 12.

Mr. Craxi is likely to stay on for some time with the help and toleration of the Christian Democrats. In August he will have been in office for two years; only two other governments in the republic's 40 years have had a comparable life span. When he took office, Mr. Craxi said he intended to last three years. The prediction was widely ridiculed at the time but is taken seriously now.

A fellow Socialist, Sandro Pertini, the 88-year-old president of the republic, is less likely now to win re-election. His seven-year term is almost over. The presidential election will be held in parliament late next month and the Christian Democrats are claiming the presidency again.

They will argue that there is no point in having Socialists in the country's two highest positions. Mr. Craxi, whose relations with Mr. Pertini have never been good, will agree, especially if it means a Christian Democratic commitment to prolong his stay as prime minister. The Communists have been Mr. Pertini's strongest backers.

The front-runner among the Christian Democratic hopefuls is Arnaldo Forlani, 59, a former prime minister and foreign minister. He has long strongly advocated alliance with the Socialists and opposed the "historic compromise" — the policy of cooperation with the Communists advocated by Aldo

Moro, the former prime minister who was killed by the Red Brigades in 1978.

As in all Italian elections since the war, few voters actually switched party allegiance. The Socialists have won 13.5 percent of the vote in the regions, a gain of 0.6 percentage points from the previous regional elections in 1980. The Communists polled 30.2 percent, a loss of 1.3 points from 1980. The Christian Democrats, although they have been declared the principal winners by friend and foe, took 35 percent, down 1.8 points. Their success lay in the fact that they came in far ahead of the Communists and did better than at their recent low points.

The strength of the alliance between the Socialists and Christian Democrats was tested and found to be solid in the cities, many of which had been governed by Communist-Socialist coalitions. Mr. Craxi and Ciriaco De Mita, the Christian Democratic Party's secretary-general, agreed before the elections to replace these leftist coalitions with alliances of their own wherever possible.

The Communists' countrywide decline was pointed up by the fact that leftist voters in the cities did not flock to them to compensate for the desertion by the Socialists. In Rome, which has had a Communist-led city government for 10 years, the Christian Democrats came in first and will head the city government. In many other cities, new local government coalitions involving Socialists, Christian Democrats and the three other parties represented in the national government will be negotiated. The Communists' domination of the country at the local level, which lasted 10 years and compensated the second-largest party for its exclusion from the national government, is over.

INTERNATIONAL HERALD TRIBUNE.

Israel: Apparently Guilty

Israel's response to the evidence that it illegally acquired 800 nuclear bomb triggers from the United States is that it did not know that the shipments needed a license, that it cannot reveal why it needed the devices but would swear in writing that the purpose was non-nuclear, and that it will, if asked, return the large number of switches not yet consumed.

Said to say, a confession of guilt leaps from these responses. The United States deserves better from an ally, and the cause of nonproliferation requires a concerned reaction.

The tiny switches, called krytrons, can deliver a precise amount of electrical current in as little as a millionth of a second. They are said to have some nonmilitary uses — in oil exploration and high-energy lasers, for example. But they are most valuable, although not essential, as nuclear bomb triggers, which is why their export is carefully policed. They are produced by only one American manufacturer, which takes care to warn purchasers against exporting them without a government license.

A federal grand jury in California has indicted a businessman, Richard Kelly Smyth, on charges of illegally exporting 800 krytrons to Israel in batches of 10 to 50 between 1980 and 1982. Israel's Defense Ministry acknowledges receiving them, denies complicity in smuggling and censors news about the affair.

Obviously, Israel has no innocent explanation. If the purchases were inadvertently illegal and for permissible purposes, it would apologize, state the purposes and request a retroactive license, not propose giving back the goods. Returning uneaten cookies to a jar is not usually proof of innocence.

The problem now is how to balance indignation with respect for an ally. When a Pakistani

agent was convicted of a similar evasion last year, the Justice Department actually helped to cover up the agent's connection to a friendly government, aborted his shipment and sent him home. But the United States also tightened up its export controls, and some members of Congress urged a law to deny aid to any nation that circumvents them.

This policy of harassment is useful to retard the spread of nuclear weapons. It is at best a delaying action, but every year gained buys time for diplomacy. Even in building their nuclear "devices," Pakistan, Israel and other nations take care to preserve the constructive fiction that they are not quite weapons. That fiction at least prevents them from presenting their neighbors with an open threat of nuclear war, and reduces the provocation to other nations to build nuclear weapons of their own.

Israel recognizes the value of this much restraint. It promises not to be the first to "introduce" nuclear weapons into the Middle East. By its reaction it has shown how provocative an adversary's buildup can be: When it learned in 1981 that an Iraqi reactor could make weapons, Israeli planes destroyed it. Thus the world has managed to stigmatize nuclear weapons as still different from all others. Everyone knows that any number of nations are nonnuclear in name only. Yet as long as their arsenals are relatively primitive and unacknowledged, there is hope of averting nuclear wars. To preserve the stigma, signs of the nonproliferation treaty need to be closely policed, while non-signers, like Pakistan and Israel, need to be harassed. When they are caught improving their "devices," they have to be shamed and spanked.

— THE NEW YORK TIMES.

The Israelis have said that some krytrons have been used for military purposes but only for research with conventional weapons — specifically, range-finders using lasers. They have also said that those krytrons still in inventory, presumably unused, will be returned to the United States. How about the others?

Both Israel and Pakistan belong to the short list of countries that possess unacknowledged nuclear weapons or are trying to build them. The evidence suggests that Israel has for many years had weapons in the final stages of assembly, capable of being completed very quickly in an emergency. Pakistan is not nearly as close to having weapons, but, despite denials, is clearly moving toward them. Both have nuclear laboratories and reactors that they refuse to open to international inspection, the basic safeguard by which countries demonstrate intentions regarding nuclear weapons. Neither has signed the nonproliferation treaty.

Both American law and common sense require a high level of U.S. vigilance to maintain stringent control of exports that might prove

useful to weapons builders. The international effort to dissuade governments from building these weapons has been on the whole successful over the years, but it has required a great deal of hard work by politicians, diplomats and, as in Los Angeles, policemen and prosecutors. That work is necessary.

Each country that obtains these weapons becomes a reason for others to attempt to get them. India's explosion of its nuclear "device" in 1974 — India claims the thing was peaceful, not a weapon — became an incitement to Pakistan to match it. Both Pakistan and Israel are in regions of great tension and longstanding hostilities. The United States has to apply the same rules to both. Having failed to catch the illegal shipments to Pakistan, the United States must now ask to have these devices returned — all of them. These krytrons are a small element in the struggle to prevent nuclear proliferation, but in this endeavor even the small elements are crucial.

— THE WASHINGTON POST.

FROM OUR MAY 20 PAGES, 75 AND 50 YEARS AGO

1910: So Much for Halley's Comet

PARIS — Comets' tails, if they behave as that of Halley's comet did [on May 19], need not disturb even the most timid when they whisk over the terrestrial sphere. The earth, there is every reason to believe, passed through the tail of the comet, and, despite careful preparations and vigilant attention, there was practically nothing to record. Registering instruments recorded no variations. Temperature and atmospheric pressure seemed normal. And then, here in Paris, light rain began, certainly the most normal of all natural phenomena this year. In fact, nothing to remark.

1935: 51 Die as Russia Loses Plane

MOSCOW — Broken metal scattered in fields and piled up in a demolished farmhouse was all that remained of the world's largest airplane, the Maxim Gorky, which crashed [on May 18], snuffing out 51 lives. Tribute was paid to the crew as mute evidence of the wreckage disclosed that the switches on all eight motors had been cut, indicating that the pilots had cut the ignition after the collision with a stunt plane above the Moscow airport. There was no evidence as to what caused the explosion that rent the plane into three parts.

INTERNATIONAL HERALD TRIBUNE

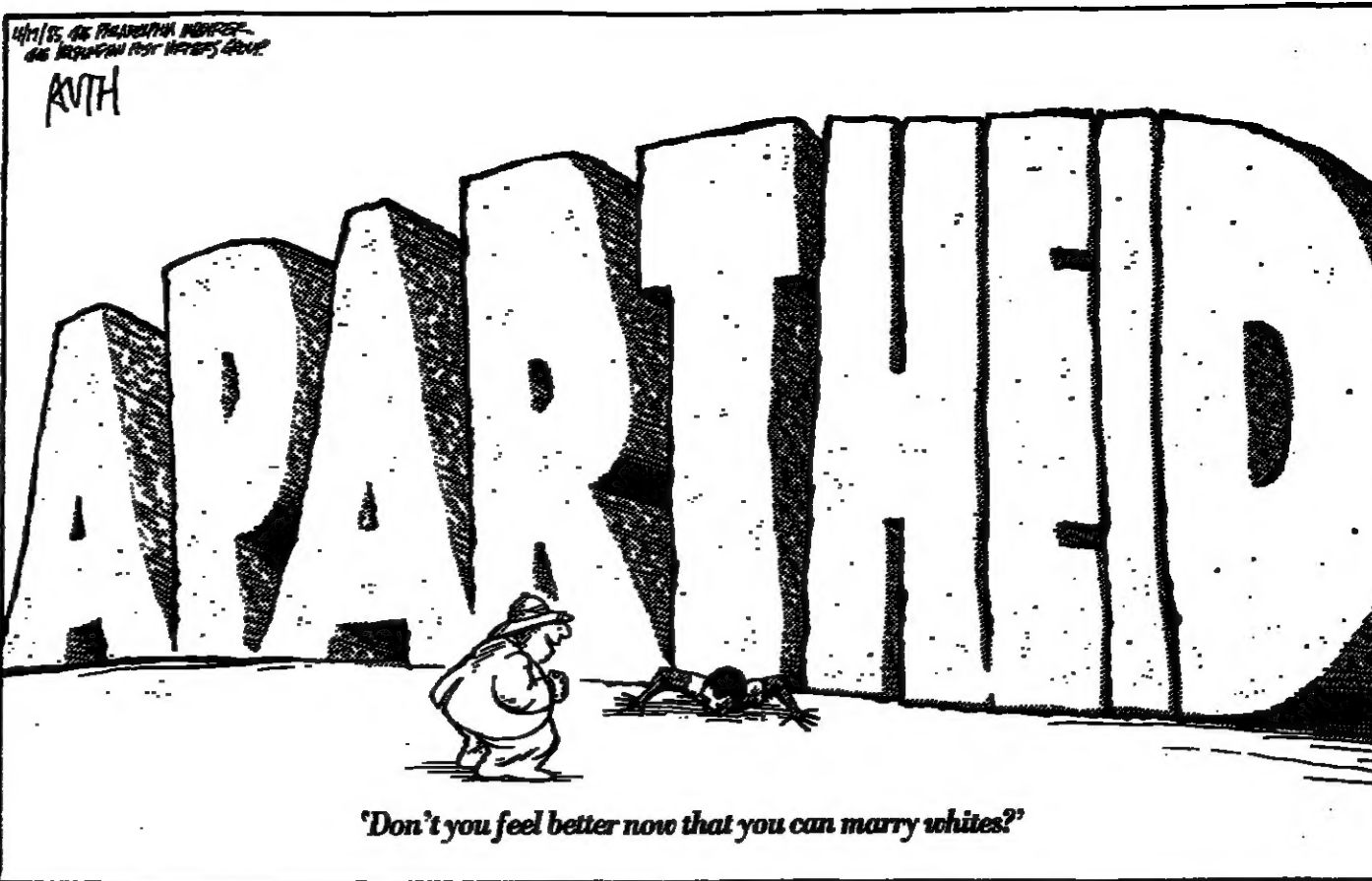
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Lo, America's President Turns Into a King

By William Pfaff

PARIS — When the president of the United States travels abroad, his tastes proceed him, trying the food he is to eat, overseeing the preparation of the banquet he will attend. At the dinner given by West Germany's president in Bonn on May 4, American security men told German officials where they could and could not move about.

The president of France was blocked in his car for 20 minutes because the U.S. Secret Service would not move President Reagan's backup car. Jews protesting Mr. Reagan's Bitburg cemetery visit were dragged away from the Bergen-Belsen concentration camp by Secret Service orders. These U.S. personnel were "like Roman legionnaires in a foreign country," a German said. Another official said, "They behaved like apes."

What does this remind you of? When Louis XIV, the Sun King, dined at Versailles, an equestrian taster his food in the kitchen. The king's meal — *la viande du Roi* — was delivered from kitchen to table, across a courtyard, preceded by two royal guards, an usher, the maître d'hôtel with his stick, the gentleman-servant of the pantry, the general supervisor of same, the assistant supervisor. Then came the meat, and after that a second equestrian and two more guards. A courier encountered the meat on its way was obliged to remove his hat and bow to what the king was about to design to eat.

The founding fathers of the American republic considered setting up a monarchy but decided, in all gravity, not to do so. George Washington refused a crown. He was too modest — or he merely saw that the time was not yet ripe.

Today, in fact but not in name, the United States has a king (or an emperor) surrounded by pomp, protocol and protection that would have astounded the *Roi Soleil* and appalled the authors of the American constitution. There are courtiers — still fawning, one fears — and couriers' couriers.

There is the mighty and dreaded Washington press corps to chronicle every mood and humor in the royal progress, every step and misstep, to search for every inconsistency between what the August Personage, his scribes and his ministers say today and what they said yesterday. Ostensibly these reporters are the proxies and protectors of the people, like the aristocrats always present at royal births to witness to legitimacy; actually they give further testimony to the quasi-divinity of the figure to whom their professional lives are devoted.

But the president of the Swiss Confederation, which is not a global power but not an inconsiderable one either, jostles with other guests to get his coat from the cloakroom at concerts. The president of the French republic takes his friends to dinner in restaurants and leaves the quality of his food to the chef. The queen of England goes out with a detective to accompany her, and the heir to the throne gets knocked off his horse at polo.

It was not so long ago that such things happened in Washington — in republican, pre-imperial Washington. Harry Truman used to take brisk walks through the city. A recent letter to a newspaper told of the writer's father driving under the White House portico in the 1930s to put his car's top up in a rainstorm. An usher came to the door politely to inquire what he wanted.

Ah, the reader may say, but times today are different. They are; but not that much. There are terrorists today, but there were terrorists yesterday, and the great and murderous American Nat, who shoots famous people to give a little meaning to his life, has always been with us. Puerto Rican Nationalists attacked Blair House in 1950 to try to kill Harry Truman, but he went on taking walks.

Franklin Roosevelt was attacked in 1933 and Chicago's mayor took the bullet and died. Lincoln, Garfield, and McKinley were all shot.

Terrorists are nothing new. Between 1890 and 1914 assassins killed the empress of Austria, the president of France, the king of Italy, the president and vice president of Mexico, the king of Greece, the prime minister of Spain, President McKinley and the archduke of Austria. That is a more imposing record than Colonel Qaddafi, the PLO, the Bulgarian secret service and the Reader-Meinhoff gang can claim, all together.

What is so new in the American situation that the head of the executive branch of government has to be given the obsequious attention and obsessive protection of a monarch, while allied chiefs of state are treated as vassals, expected to bow to the king's meat — or to his backup limousine?

There is an intelligent and experienced vice president, and a line of succession assuring that America would have a president even if a dozen men and women were assassinated in turn. There are, to be blunt, plenty more where this one came from. The halls of Congress and the statehouses are crowded with people who want desperately to be president — and have the qualifications, such as they are. A new election comes every four years.

What has changed in American life that Americans should pay such servile, even obscene, attention, then, to the presidential incumbent, his wife, his entourage? Mr. Reagan, Mr. Carter, Mr. Ford — these are ordinary and decent men placed by the people, for a few years, at the top of the insecure pile of American politics. Why are they treated like gods? Who is being flattered or appeased? The people themselves? Is that what it's all about? Is it national ego, self-adoration, self-aggrandizement? I don't know, but I think it is time that it stopped.

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With the Soviets, You Don't Negotiate in a Hurry

By Kenneth L. Adelman and Charles A. Sorrels

Mr. Adelman is director of the U.S. Arms Control and Disarmament Agency. Mr. Sorrels is senior policy adviser to the agency. This is the second of two parts.

appeared ready to agree to pull back all Soviet forces from Austria. The diplomatic action then moved to Vienna. It quickened during the first half of May 1955 and culminated in a treaty on May 15. No mention was made of dried peas.

The main stumbling block was the age-old one, reparations. In Vienna the Soviet Union still wanted to re-

as an appealing neutral alternative to militarized alliance with the United States. They also sought to discourage West German rearmament — a constant, then particularly poignant Soviet fear — as a critical component of NATO's forward defense.

Regardless, the Soviets moved and we were wise enough to strike a good, even if not perfect, deal. Thirty years later it still stands the test of time as a good deal. That is no mean feat, especially in the postwar history of negotiating with the Soviets.

We hope that someday we can attain an equal level of success in our efforts to greatly reduce nuclear weapons and increase stability in the world. American and Soviet negotiators in Geneva have met together for about six weeks to discuss arms control issues. The negotiations are scheduled to begin again soon.

Because we believe that reducing nuclear weapons is such a crucial goal, it is easy to grow impatient with the process — to want to sign an agreement in several months or a year's time. Certainly the American people and others place high hopes on our achieving quick results. That desire is not surprising, but we should not allow it to pressure us into hasty moves or unrealistic schemes. Certainly, if our 30-year-old success in Austria has taught us anything, it is that reaching effective agreements with the Soviet Union is a long, hard road. Worthwhile results do not happen overnight.

George Bernard Shaw wrote that "peace is not only better than war, but infinitely more arduous." Our experience in negotiating Austria's freedom makes this clear. Thirty years later we find ourselves pursuing an even more arduous task — reducing our world of the nuclear three and ushering in a new era of peace and stability. If we heed the lessons of the years leading to 1955, our efforts can be even more promising.

International Herald Tribune.

Because we believe that reducing nuclear weapons is such a crucial goal, it is easy to grow impatient with the negotiating process.

tain, for up to 30 years, most of the valuable Austrian oil properties, and it wanted to own in perpetuity the Austrian Danube shipping, including its docks. In Moscow in April the Soviets reached an economic accord with Austria that included Austrian payment of 10 million tons of oil to Moscow over 10 years, \$2 million for Danube assets and \$150 million in return for other "German assets" in Austria. Everything seemed settled.

But then again, it was not. At the last minute the Soviet representative in Vienna refused to modify the text of the treaty to reflect the Austrian-Soviet accord reached the month before. In effect the Soviets wanted to be free to reoccupy Austria, based upon asserting remaining legal rights to economic assets there.

On May 10, 1955 — a mere 5 days before the scheduled signing ceremony — Secretary Dulles took a valiant decision: He would not come to Vienna, and America would not sign, unless the treaty was modified to incorporate the Moscow economic accord of April. At the last moment the Soviets consented.

Yet another lesson: No treaty is perfect or controversy-free.

In the end Austria did in effect pay reparations to the Soviet Union — contrary to basic policy of the United States and Britain, and contrary to what the Soviets had formally agreed at Potsdam in August 1945.

Not unexpectedly, this became a bone of contention in the ensuing Senate hearings. Senator Mike Mansfield told Mr. Dulles, "I am going to vote for this treaty, Mr. Secretary, but it seems to me that it is an extremely high price for a friendly, democratic country such as Austria to pay." Senator Hubert Humphrey made a similar point: "My concern, sir, is registered because of the drain of a certain amount of commodities to the Soviets in the form of what you may call payments or reparations."

Again Secretary Dulles faced the issue squarely. "It is not perfect in that respect. We would, of course, have been much happier and the Austrians would have been much happier

Nigeria's Crowded Ports

In "Nigerians Prevent Unloading of Emergency Food for Chad" (April 29), it was reported that officials of the UN World Food Program had complained that ships loaded with emergency food aid for more than 1.5 million hungry people in landlocked Chad had been prevented from unloading at Nigeria's main port.

In a special report on Nigeria (March 12) you noted Lagos port

congestion and stated that "among the causes of the Nigerian Port Authority's organizational problems are the following: the simultaneous arrival of delayed 1984 imports, a million tons of fertilizers for the coming planting season, large amounts of food aid for Chad and Niger, and Nigeria's own food imports. Each category of goods is deemed urgent."

Apart from pointing out that the March 12 report explains the problems that the Nigerian authorities face (and are doing all in their power to sort out), we consider it necessary to reiterate Nigeria's commitment to the well-being of the African continent. It is in view of that commitment that the head of state, Major General Mohammed Buhari, promised in January 1983 to cooperate with the United States by providing port facilities for transit of relief materials to drought-affected countries.

When Iraq Speaks Up For Israel

By Philip Geyelin

WASHINGTON — "We must use our machine guns . . . to free Jerusalem . . . The day will come that everyone wishes to be a resident of [Jerusalem] . . . Israel must be banished from the face of the Earth."

Those juicy quotations are printed and sold on the edges of a brightly colored map of the Middle East. Copies by now should be in the hands of every member of Congress and the key people at the State Department.

The words alone would suggest an Israeli effort to unmask the true purposes of the P.O. But the distributor is Nizar Hamdoun, the Iraqi ambas-

Mr. Hamdoun's map reflects a positive side of U.S.-Iraqi relations.

sador to the United States. His target is Islamic fundamentalism in general and the Iranian regime in particular. Mr. Hamdoun claims — and experts who have seen the document have no reason to doubt him — that the map was taken from captured Iranian revolutionary guards.

If nothing else, the map, and the use the ambassador is putting it to, are graphic reminders of the Middle East's endless potential for upheaval, for sometimes subtle and sometimes sharp realignments; for the posing of new threats from new directions, as well as of new opportunities.

The war between Iraq and Iran has raged on and off for four and a half years with neither side demonstrating the ability to win conclusively. Yet Mr. Hamdoun is not alone in his concern over the larger aims of the ruling Shiite fundamentalists in Iran.

The tracing by U.S. intelligence of devastating terrorist acts in Lebanon through Syria to Iran suggests that the Iranians do not have to win the war to be a menace to the area. Shiite extremists are an active threat in Lebanon. American as well as Iraqi analysts share a worry that Iran may use its frustrations and the war with Iraq by making a move on Kuwait.

Thus a prominent American Arabist finds Mr. Hamdoun's map "very interesting," if only in the sense that it brings the fanatic public rhetoric of Islamic fundamentalism into focus. That Israel is on the Iranian hit list is no surprise. So are almost all of the Islamic Arab friends, most notably the monarchies and sheikhdoms sitting on the vital oil resources of the Gulf. But Iranian fundamentalist indoctrination has to be running deep when the ayatollah's revolutionary guards are carrying into battle so explicit a statement of their mission.

You would expect the map to show its five arrowhead green-and-yellow bands sweeping out of Iran and converging on Baghdad. You might not expect to see three huge arrows thrusting westward at Jerusalem, or to find the Iranian future for the Gulf conveyed by designation of Saudi Arabia on the map as "Arabistan."

The conclusion that official Washington is being invited to draw from this bit of evidence is that Iraq stands as a vital bulwark defending American interests in the Middle East, including not only the Moslem elements but also Israel. What then?

Iraq's objective is modest. Mr. Hamdoun insists. With its Moscow connection, its dependence on Soviet arms and its professed devotion to nonalignment, it has no expectations of material U.S. support. But it would welcome a shift of U.S. policy away from strict "neutrality." Specifically, it would like America to use its influence on Europeans, Japan and others of its friends who continue to sell trucks, small boats, light aircraft and other items to Iran.

With an eye to a post-Khomeini Iran, the Reagan administration has been careful not to choose sides. So a conspicuous "tilt" to Iraq now is unlikely. U.S. policy, which has yet to be put to a test by the inconclusive ebb and flow of battle, is a negative: It does not want Iraq to lose.

But Mr. Hamdoun's map reflects a positive side to U.S.-Iraqi relations that few would have forecast four years ago. Then Iraq was seen as the instigator of the war with Iran, the shrewd and forerunner of terrorism. By the time full diplomatic relations were re-established between the United States and Iraq last November after a 17-year break, Iraq had tempered its public stance on a solution of the Arab-Israeli-Palestinian conflict. It had largely rid itself of the "terrorist" image. It had moved closer to restoring relations with Egypt and identified itself more clearly with the "moderate" Arab camp.

That it should now be presenting itself, for whatever reasons of expediency, as a credible line of defense against threats to Iraq's security is one more sign of that never-ending Middle East potential for change.

Washington Post Writers Group.

LETTERS TO THE EDITOR

Nigeria's Crowded Ports

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Letters intended for publication should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

In addition to Lagos ports, the Nigerian authorities have advised shipping companies to make use of Port Harcourt and Calabar ports, which are relatively less congested.

They also explain the agencies concerned to notify apply in time to the authorities to facilitate the clearance at ports or through the land borders with Nigeria's neighbors.

M.O. LAOSE, Press Attaché, Embassy of Nigeria, Paris.

A Protesters' Memorial?

As regards the suggestion by Tom Hayden, the California legislator, for a monument to be erected in honor of America's Vietnam War protesters (People, April 26), I agree with the idea of a monument, but it might best be placed in Red Square.

FRANK MCGEARY, Bethesda, Md.

JPK 60155A

Nicaragua Steps Up Raids on Rebels On Honduran Border, U.S. Aides Say

By Bill Keller
New York Times Service

TEGUCIGALPA, Honduras — Hostilities along the Nicaragua-Honduras border have widened dramatically in recent weeks, according to U.S. military and diplomatic officials here, with Nicaraguan troops crossing the border for the first time in force to pursue rebels operating from sanctuaries in Honduras.

The U.S. officials said that the troops had clashed repeatedly with the Honduran Army and that their artillery bombardments across the border had forced up to 1,000 Honduran civilians to flee their villages. They added that groups of up to 200 Nicaraguan soldiers at a time had been seen in Honduras.

In Managua, the chief of intelligence for the Nicaraguan Army said in an interview that shelling and skirmishes across the border were unavoidable as long as Honduran rebels, known as "con-

tras," to operate from camps on the Honduran side.

The intelligence official, Commander Julio Ramos Argüello, said that rockets sometimes crossed the poorly marked border into Honduras and that Nicaraguan infantry battalions "might have" conducted thrusts across it.

"In this sort of fighting, it is very difficult to say, 'Don't fight on that side,'" Commander Ramos said. He added that the Nicaraguan government had warned Honduras to force the rebels back from the border, since the proximity of rebel camps to Nicaraguan territory made it impossible "to avoid that once in a while a bullet goes across the border."

U.S. and Nicaraguan officials agreed that Nicaragua's Sandinist government troops had scattered the rebels from their stronghold. The major rebel headquarters, called Las Vegas, in south-central Honduras, was disbanded this month and groups of rebels have

Threats in Philadelphia Cited by Mayor, Others

Compiled by Our Staff From Dispatches

PHILADELPHIA — Mayor W. Wilson Goode has increased police surveillance of the group MOVE because of fears of reprisals by its members and sympathizers following the police attack on MOVE headquarters that left 11 persons dead, a spokeswoman said.

"There have been threats and there are continuing threats," the mayor's spokeswoman, Karen Warrington, said Saturday.

The bombing of MOVE headquarters May 13 led to a fire that destroyed 53 homes and heavily damaged eight others. The 11 persons killed were presumed to be MOVE members.

In a related development, the U.S. secretary of housing and urban development, Samuel R. Pierce Jr., has pledged federal aid of \$1 million to help the estimated 270 residents left homeless by the fire.

Mayor Goode's office confirmed that police had begun surveillance of two other fortified MOVE houses. It was not known how many people lived in the houses.

"I believe that there is a potential for additional violent confrontation between MOVE members and the city," the mayor told the Philadelphia Daily News. He said "acts of revenge" were possible.

"We have a very dangerous group here," Mr. Goode said in a separate interview with ABC News. He said there had been "threats of all kinds already against the lives of many people, including the mayor."

The fire commissioner, William Richmond, also said his life had been threatened.

Fourteen known MOVE members are in five Pennsylvania prisons. Nine of them are serving sentences in connection with the fatal shooting of a police officer in a confrontation in 1978.

Mr. Pierce, who toured the devastated area Friday by foot, said the \$1 million in federal aid was to be used for construction of new homes and rehabilitation of damaged ones. Additional aid, consisting mostly of Housing Department subsidies, is to provide temporary housing while the area is being rebuilt.

The \$1 million comes from a "discretionary fund" at Mr. Pierce's disposal as head of the Housing Department, aides said.



Samuel R. Pierce Jr.

Mayor Goode estimated that a total of \$3 million would be needed to build new homes. He said \$5 million was needed to construct the homes and \$2 million more to furnish them. The other \$1 million, he said, would be needed for unanticipated expenses.

The mayor said he hoped \$5 million might come from state aid programs that would be put into effect if Governor Richard L. Thornburgh declared the neighborhood a disaster area.

Mr. Goode said he thought the reconstruction project could start by early July and, "by working day and night and weekends," be finished by Christmas.

Mr. Pierce was joined on his walking tour Friday by Pennsylvania's two U.S. senators, Arlen Specter and John Heinz.

"I was deeply stricken," Mr. Heinz said. "It was a sad, even terrifying sight."

Mr. Specter said: "It's overwhelming, hard to believe. It looks like a war zone."

The senators, both Republicans, refused to criticize the police for the bombing.

The search of the ruins of MOVE headquarters ended Friday. Though authorities had said the self-described "back to nature" group had semiautomatic weapons, none was found in the building. Police said they found two shotguns, one rifle and three pistols.

(UPI, NYT)

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Blast Toll Is 62 In Japanese Mine

YUBARI, Japan — Experts began Sunday to investigate whether sophisticated gas sensors had adequately signaled leakage of methane gas before an explosion that killed 62 men in a coal mine in northern Japan.

The smell of gas was still strong as a team of 50 policemen and mining experts moved into the pit Sunday, two days after the explosion in the Minami Oyubari mine, police said.

The mine, opened in 1970 on Hokkaido island, is Japan's fifth-largest coal mine and was its most modern. The advanced safety system was installed there after a gas explosion killed 17 men in 1979.



Rescuers carry a victim from the Japanese mine.

Swiss Banker Found Guilty in Fraud Case

GENEVA — A prominent private Swiss banker, Robert Leclerc, has been found guilty of diverting millions of dollars from his clients' accounts.

The jury at a Geneva criminal court rendered the verdict late Saturday, finding the banker guilty of 60 charges of fraud and breach of confidence.

Mr. Leclerc, 67, is to be sentenced Monday and the public prosecutor, Raymond Foc, was expected to demand a maximum 15-year sentence.

The five-week public trial concluded the case of Leclerc & Co., a private Geneva-based bank that the Federal Banking Commission closed down in 1977.

The commission said an investigation showed a consolidated balance sheet deficit of 394 million Swiss francs (then valued at about \$220 million).

The secretive world of Swiss banking was summed when the manager of the bank, Charles Bouchard, was found drowned in Lake Geneva and another former Le-

clerc partner committed suicide shortly after the closure.

In 1978, Mr. Leclerc was arrested and spent 15 months in prison despite repeated pleas for his release on the ground of ill health. He eventually was freed on a 500,000-franc bond.

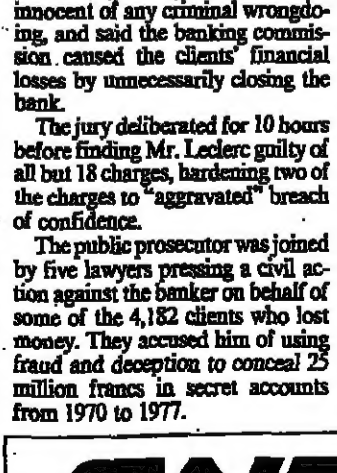
In an impassioned final plea to the jury of 10 women and two men, Mr. Leclerc conceded that he had made mistakes but said he had never dipped into any of his clients' accounts. He asked forgiveness from his former clients, many of whom were close friends.

His lawyers argued that he was innocent of any criminal wrongdoing, and said the banking commission caused the clients' financial losses by unnecessarily closing the bank.

The jury deliberated for 10 hours before finding Mr. Leclerc guilty of all but 18 charges, hardening two of the charges to "aggravated" breach of confidence.

The public prosecutor was joined by five lawyers pressing a civil action against the banker on behalf of some of the 4,182 clients who lost money. They accused him of using fraud and deception to conceal 25 million francs in secret accounts from 1970 to 1977.

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40 Killed in Sri Lanka, Near Site of Massacre

Unsett Press International

COLOMBO, Sri Lanka — Unidentified attackers killed 40 Tamil civilians and burned Tamil houses Sunday in a town near the site of a recent massacre, the police said.

The men and women were killed in Amparai, 150 miles (245 kilometers) east of Colombo. The bodies were buried by commands of the Special Task Force, which is in charge of security in the Eastern Province.

[Sapala Attapalle, the defense secretary-general, said reports of large Tamil civilian casualties in the area were "absolute nonsense," Reuters reported.]

The reported killings were the latest in violence between the mostly Hindu Tamils and the predominantly Buddhist Sinhalese majority. Tamils accuse the Sinhalese of discrimination and want a separate state in the Northern and Eastern provinces, where they are a majority.

Amparai is near Amuradhapura, where Tamils massacred more than 170 Sinhalese on Tuesday. That attack prompted reprisals that have resulted in the deaths of dozens of Tamil civilians.

■ First Such Large Attack

Earlier, Barbara Crosse of The New York Times reported from Amuradhapura.

The killings Tuesday marked the first such large-scale assault by the Tamils against civilians in a Sinhalese-controlled area.

Witnesses to the attack and survivors of it were stunned and frightened, but they also were angry that a small band of gunmen had been able to operate freely along a major road without arousing suspicion.

Many people said that local police officers had disregarded threats that were made against Amuradhapura a week before the attack and then ignored frantic telephone calls for help when the gunmen struck.

A woman who saw the massacre of civilians at a bus depot said that the police disappeared into the station house less than half a mile away "and didn't come out for an hour and a half." Several townspeople said Saturday that some enraged residents had tried later to raise a crowd to stone the police station.

Villagers near Wilpattu National Park, who tried to summon help when they realized that park rangers were being shot by escaping gunmen, said that a local policeman had told them, "We'll protect ourselves; you protect yourselves."

Officials in Amuradhapura did not dispute residents' accounts of the absence of the police. Chandra Bandara, the district minister in charge of the region, said that the local police were neither armed nor trained for this kind of attack.

Responding to residents' charges that threats had been disregarded and that no extra security measures had been introduced, the district minister said that the police received threats all the time.

Amuradhapura, still under curfew, was not alone in its grief or its rage. From Putalam, 50 miles southwest on the west coast, through Maragahawewa village, at the gateway to Wilpattu Park, and then the town of Nocchiyagana, the road to Amuradhapura passes through a valley of death. White mourning flags on shops and homes were reminders of other victims gunned down for being in the way of the gunmen.

'Boat People' in China: Some Are Still Unhappy

By John F. Burns
New York Times Service

BELING — Of the millions of Vietnamese who have fled their country by boat or on foot since the Communist victory in 1975, few have attracted less attention around the world than the 280,000 who came north to China.

Among Vietnamese populations abroad, those in China are second in numbers only to those in the United States. Although the overwhelming majority of them are of Chinese ethnic descent, settling down has not always been easy, and years after arriving thousands still are actively seeking acceptance elsewhere.

A glimpse into the lives of people in China's only refugee community of any size was provided recently by Paul Hartling, the United Nations high commissioner for refugees, who discussed the matter at a news conference during a visit that included talks with senior Chinese officials, visits to refugee camps and the signing of a new aid agreement.

Mr. Hartling, a former Danish prime minister, announced that the United Nations would give an additional \$12 million from 1986 to 1988 to help China resettle the Vietnamese. It would bring total UN assistance to the Chinese authorities to more than \$51 million since 1978.

According to the Chinese, the UN assistance is barely a quarter of what the Beijing government has spent on the problem — more than 600 million yuan (\$211 million). Much of this has been invested in the 196 state-run farms to which China has directed most of the Vietnamese citizens.

Mr. Hartling said that the UN agency considered a resettlement program a success when 80 percent of those involved were satisfied with their new lives, a criterion that he said had been met among the Vietnamese in China.

But he acknowledged that about 20 percent of the refugees remained unhappy, with a large number still requesting transfer to other countries, mainly the United States, Australia, Britain, Canada or France.

The refugees are concentrated in four Chinese provinces, Yunnan, Guangdong, Fujian and Jiangxi, and in the Guangxi Zhuang autonomous region. At most of the collective farms they form a distinct minority of 10 percent to 30 percent of the work force, differentiated by dialects as well as by customs. Many were formerly city

dwellers and find adjustment to the rural life difficult, according to officials in the UN office here.

Mr. Hartling spoke highly of the efforts made by China to help the refugees integrate. He said that the greatest success so far had been at the port of Beihai on the Gulf of Tonkin, in the Guangxi Zhuang region, where 11,000 refugee fishermen have been established as unarmored.

"They have the same work, they have the same pay, they have the same social and other facilities," Mr. Hartling said. "They are certainly not discriminated against."

But Mr. Hartling and other UN officials said that a major point of friction had been China's strict birth control policies and the failure of many refugee families to observe them.

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Europeans, Soviet Plan Mars Probe

The Associated Press

MOSCOW — The Soviet Union and the European Space Agency have agreed to cooperate in a probe of the planet Mars with a satellite to be launched in 1988, the press agency Tass has reported.

The agency also said that the Soviet Academy of Sciences suggested to the 11 West European members of the European Space Agency at a meeting in Leningrad last week that they participate on a "large scale."

According to the Tass report, distributed Friday, the Project Phobos spacecraft will be launched in 1988 to orbit one of Mars's two natural moons.

Phobos is closer to Mars than the planet's other moon, Deimos, and has a diameter of about seven miles (11 kilometers). It is believed to be an asteroid caught in the gravity of Mars.

Vyacheslav Balabanov, deputy director of the Soviet Academy of Sciences Institute of Space Studies, was quoted as saying, "The chemical composition, temperature, density and dust saturation of the atmosphere of Mars, the characteristic features of the planet and its magnetosphere will be under distant observation."

The project will last about 15 months, Tass reported.

"The terms and the dates of deliveries of equipment, apparatus and documentation for the Phobos project have been specified in detail," Tass said, without elaborating.

The European Space Agency members are Belgium, Britain, Denmark, France, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland and West Germany.

The European Space Agency members met in Rome on Jan. 30 and approved participation in the U.S. space station project and the construction of a more powerful launcher.

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135	Bolivia	135	Bolivia	135	Bolivia	135	Bolivia	135	Bolivia	135	Bolivia
136	Bosnia and Herzegovina	136	Bosnia and Herzegovina	136	Bosnia and Herzegovina	136	Bosnia and Herzegovina	136	Bosnia and Herzegovina	136	Bosnia and Herzegovina
137	Brazil	137	Brazil	137	Brazil	137	Brazil	137	Brazil	137	Brazil
138	Bulgaria	138	Bulgaria	138	Bulgaria	138	Bulgaria	138	Bulgaria	138	Bulgaria
139	Burkina Faso	139	Burkina Faso	139	Burkina Faso	139	Burkina Faso	139	Burkina Faso	139	Burkina Faso
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144	Cape Verde	144	Cape Verde	144	Cape Verde	144	Cape Verde	144	Cape Verde	144	Cape Verde
145	Cayman Islands	145	Cayman Islands	145	Cayman Islands	145	Cayman Islands	145	Cayman Islands	145	Cayman Islands
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147	Chad	147	Chad	147	Chad	147	Chad	147	Chad	147	Chad
148	Chile	148	Chile	148	Chile	148	Chile	148	Chile	148	Chile
149	China	149	China	149	China	149	China	149	China	149	China
150	Christmas Island	150	Christmas Island	150	Christmas Island	150	Christmas Island	150	Christmas Island	150	Christmas Island
151	Cyprus	151	Cyprus	151	Cyprus	151	Cyprus	151	Cyprus	151	Cyprus
152	Czech Republic	152	Czech Republic	152	Czech Republic	152	Czech Republic	152	Czech Republic	152	Czech Republic
153	Dominica	153	Dominica	153	Dominica	153	Dominica	153	Dominica	153	Dominica
154	Dominican Republic	154	Dominican Republic	154	Dominican Republic	154	Dominican Republic	154	Dominican Republic	154	Dominican Republic
155	Ecuador	155	Ecuador	155	Ecuador	155	Ecuador	155	Ecuador	155	Ecuador
156	Egypt	156	Egypt	156	Egypt	156	Egypt	156	Egypt	156	Egypt
157	El Salvador	157	El Salvador	157	El Salvador	157	El Salvador	157	El Salvador	157	El Salvador
158	Equatorial Guinea	158	Equatorial Guinea	158	Equatorial Guinea	158	Equatorial Guinea	158	Equatorial Guinea	158	Equatorial Guinea
159	Eritrea	159	Eritrea	159	Eritrea	159	Eritrea	159	Eritrea	159	Eritrea
160	Estonia	160	Estonia	160	Estonia	160	Estonia	160	Estonia	160	Estonia
161	Ethiopia	161	Ethiopia	161	Ethiopia	161	Ethiopia	161	Ethiopia	161	Ethiopia
162	Fiji	162	Fiji	162	Fiji	162	Fiji	162	Fiji	162	Fiji
163	Finland	163	Finland	163	Finland	163	Finland	163	Finland	163	Finland
164	France	164	France	164	France	164	France	164	France	164	France
165	French Polynesia	165	French Polynesia	165	French Polynesia	165	French Polynesia	165	French Polynesia	165	French Polynesia
166	Gabon	166	Gabon	166	Gabon	166	Gabon	166	Gabon	166	Gabon
167	Gambia	167	Gambia	167	Gambia	167	Gambia	167	Gambia	167	Gambia
168	Georgia	168	Georgia	168	Georgia	168	Georgia	168	Georgia	168	Georgia
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171	Greece	171	Greece	171	Greece	171	Greece	171	Greece	171	Greece
172	Greenland	172	Greenland	172	Greenland	172	Greenland	172	Greenland	172	Greenland
173	Grenada	173	Grenada	173	Grenada	173	Grenada	173	Grenada	173	Grenada
174	Guatemala	174	Guatemala	174	Guatemala	174	Guatemala	174	Guatemala	174	Guatemala
175	Guinea	175	Guinea	175	Guinea	175	Guinea	175	Guinea	175	Guinea
176	Guinea-Bissau	176	Guinea-Bissau	176	Guinea-Bissau	176	Guinea-Bissau	176	Guinea-Bissau	176	Guinea-Bissau
177	Haiti	177	Haiti	177	Haiti	177	Haiti	177	Haiti	177	Haiti
178	Honduras	178	Honduras	178	Honduras	178	Honduras	178	Honduras	178	Honduras
179	Hungary	179	Hungary	179	Hungary	179	Hungary	179	Hungary	179	Hungary
180	Iceland	180	Iceland	180	Iceland	180	Iceland	180	Iceland	180	Iceland
181	India	181	India	181	India	181	India	181	India	181	India
182	Indonesia	182	Indonesia	182	Indonesia	182	Indonesia	182	Indonesia	182	Indonesia
183	Iran	183	Iran	183	Iran	183	Iran	183	Iran	183	Iran
184	Iraq	184	Iraq	184	Iraq	184	Iraq	184	Iraq	184	Iraq
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187	Italy	187	Italy	187	Italy	187	Italy	187	Italy	187	Italy
188	Jamaica	188	Jamaica	188	Jamaica	188	Jamaica	188	Jamaica	188	Jamaica
189	Japan	189	Japan	189	Japan	189	Japan	189	Japan	189	Japan
190	Jordan	190	Jordan	190	Jordan	190	Jordan	190	Jordan	190	Jordan
191	Kazakhstan	191	Kazakhstan	191	Kazakhstan	191	Kazakhstan	191	Kazakhstan	191	Kazakhstan
192	Kenya	192	Kenya	192	Kenya	192	Kenya	192	Kenya	192	Kenya
193	Kiribati	193	Kiribati	193	Kiribati	193	Kiribati	193	Kiribati	193	Kiribati
194	Korea	194	Korea	194	Korea	194	Korea	194	Korea	194	Korea
195	Kosovo	195	Kosovo	195	Kosovo	195	Kosovo	195	Kosovo	195	Kosovo
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197	Kyrgyzstan	197	Kyrgyzstan	197	Kyrgyzstan	197	Kyrgyzstan	197	Kyrgyzstan	197	Kyrgyzstan
198	Laos	198	Laos	198	Laos	198	Laos	198	Laos	198	Laos
199	Lao PDR	199	Lao PDR	199	Lao PDR	199	Lao PDR	199	Lao PDR	199	Lao PDR
200	Latvia	200	Latvia	200	Latvia	200	Latvia	200	Latvia	200	Latvia
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202	Lesotho	202	Lesotho	202	Lesotho	202	Lesotho	202	Lesotho	202	Lesotho
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208	Macao	208	Macao	208	Macao	208	Macao	208	Macao	208	Macao
209	Macedonia	209	Macedonia	209	Macedonia	209	Macedonia	209	Macedonia	209	Macedonia
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213	Maldives	213	Maldives	213	Maldives	213	Maldives	213	Maldives	213	Maldives
214	Mali	214	Mali	214	Mali	214	Mali	214	Mali	214	Mali
215	Malta	215	Malta	215	Malta	215	Malta	215	Malta	215	Malta
216	Marshall Islands	216	Marshall Islands	216	Marshall Islands	216	Marshall Islands	216	Marshall Islands	216	Marshall Islands
217	Martinique	217	Martinique	217	Martinique	217	Martinique	217	Martinique	217	Martinique
218	Mauritania	218	Mauritania	218	Mauritania	218	Mauritania	218	Mauritania	218	Mauritania
219	Mauritius	219	Mauritius	219	Mauritius	219	Mauritius	219	Mauritius	219	Mauritius
220	Mexico	220	Mexico	220	Mexico	220	Mexico	220	Mexico	220	Mexico
221	Moldova	221	Moldova	221	Moldova	221	Moldova	221	Moldova	221	Moldova
222	Monaco	222	Monaco	222	Monaco	222	Monaco	222	Monaco	222	Monaco
223	Mongolia	223	Mongolia	223	Mongolia	223	Mongolia	223	Mongolia	223	Mongolia
224	Montenegro	224	Montenegro	224	Montenegro	224	Montenegro	224	Montenegro	224	Montenegro
225	Morocco	225	Morocco	225	Morocco	225	Morocco	225	Morocco	225	Morocco
226	Mozambique	226	Mozambique	226	Mozambique	226	Mozambique	226	Mozambique	226	Mozambique
227	Myanmar	227	Myanmar	227	Myanmar	227	Myanmar	227	Myanmar	227	Myanmar
228	Nicaragua	228	Nicaragua	228	Nicaragua	228	Nicaragua	228	Nicaragua	228	Nicaragua
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230	Nigeria	230	Nigeria	230	Nigeria	230	Nigeria	230	Nigeria	230	Nigeria
231	North Macedonia	231	North Macedonia	231	North Macedonia	231	North Macedonia	231	North Macedonia	231	North Macedonia
232	Oman	232	Oman	232	Oman	232	Oman	232	Oman	232	Oman
233	Pakistan	233	Pakistan	233	Pakistan	233	Pakistan	233	Pakistan	233	Pakistan
234	Palestine	234	Palestine	234	Palestine	234	Palestine	234	Palestine	234	Palestine
235	Panama	235	Panama	235	Panama	235	Panama	235	Panama	235	Panama
236	Papua New Guinea	236	Papua New Guinea	236	Papua New Guinea	236	Papua New Guinea	236	Papua New Guinea	236	Papua New Guinea
237	Paraguay	237	Paraguay	237	Paraguay	237	Paraguay	237	Paraguay	237	Paraguay
238	Peru	238	Peru	238	Peru	238	Peru	238	Peru	238	Peru
239	Philippines	239	Philippines	239	Philippines	239	Philippines	239	Philippines	239	Philippines
240	Pitcairn	240	Pitcairn	240	Pitcairn	240	Pitcairn	240	Pitcairn	240	Pitcairn
241	Poland	241	Poland	241	Poland	241	Poland	241	Poland	241	Poland
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244	Russia	244	Russia	244	Russia	244	Russia	244	Russia	244	Russia
245	Rwanda	245	Rwanda	245	Rwanda	245	Rwanda	245	Rwanda	245	Rwanda
246	Saudi Arabia	246	Saudi Arabia	246	Saudi Arabia	246	Saudi Arabia	246	Saudi Arabia	246	Saudi Arabia
247	Senegal	247	Senegal	247	Senegal	247	Senegal	247	Senegal	247	Senegal
248	Serbia	248	Serbia	248	Serbia	248	Serbia	248	Serbia	248	Serbia
249	Seychelles	249	Seychelles	249	Seychelles	249	Seychelles	249	Seychelles	249	Seychelles
250	Sierra Leone	250	Sierra Leone	250	Sierra Leone	250	Sierra Leone	250	Sierra Leone	250	Sierra Leone
251	Singapore	251	Singapore	251	Singapore	251	Singapore	251	Singapore		

[illegible][illegible]

9.20	Colombia	8:4	68 Feb	87 1/2	13.43	32.00	2
9.15	Venezuelan Telephone	5:4	31 Dec	86	15.17	12.25	4
9.05	Internal Bonds D-1 Conto	5:30	30 Nov	77 1/2	14.01	13.67	2

1:00	American High W	6/17	Dec	6/17	12:05	10:05
1:00	Brav	6/17	Dec	6/17	12:10	10:10
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1:00	Las Vegas	6/17	Dec	6/17	26:25	24:25
1:00	Las Vegas	6/17	Dec	6/17	26:30	24:30
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1:00	Las Vegas	6/17				

1.50	Mudgump Bay	10	94 Feb	87.7	13.90	14.75	12.50
1.50	Darby Petroleum	10	94 Jan	88	11.00	12.00	11.00

[illegible]

\$ 75	Paraguay Airfares (one-way)	17th	28th	1997	12.95	12.95
\$ 75	Northern Indiana Page	17th	18th	Oct	103	75.00
\$ 75	Br./I. Columbia Airfares	17th	18th	Oct	1034	10.50
\$ 75	Mexico	18th	19th	Jan	1134	14.25

135A	Cities Service Co.	17	38	503	13.66	16.3
135B	Transcontinental Petroleum	17	38	007	14.39	16.3
135C	Core Products Co.	17	38	500	14.34	16.3
135D	Gemler	17	38	007	14.81	16.3
135E	Gold States Oil Field	17	38	007	14.91	16.3
135F	General Motors Acq Corp	17	38	007	14.67	16.3
135G	Marathon Bay	17	38	007	15.20	16.3
135H	National Fertilizers	17	38	007	14.75	16.3
135I	Quebec Province	17	38	007	14.81	16.3
135J	Consolidated Southern	17	38	007	14.81	16.3

(Continued on Page 14)

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ed at the beginning of the year. percent

FRANCE

A SPECIAL ECONOMIC REPORT

MONDAY, MAY 20, 1985

Page 7

Industry Reacts To a Lighter Government Hand

By Michael Mercalfe

PARIS — The scales of French industry, long weighed down by losses, state interventionist policies and overmanaging, are slowly tipping more favorably.

Corporate profits in both public and private enterprises are up, investment continues at a steady, though sluggish, pace, industrial productivity is improving and the Socialist government's policy of nationalizations and direct intervention has given way to a more pragmatic approach.

Yet the signals are not all green. Several large companies vital to French industry's well-being, notably Renault, have swung deeper into the red. Coal, shipbuilding and iron and steel all remain in the twilight zone, while much industrial restructuring in the textiles, chemicals and electronics sectors remains to be completed.

"We have a long way to go, the industrial structure is still too rigid, and it may well be that time is running out," said a senior adviser in the Industry and Foreign Trade Ministry, commenting on the government's record in industrial policy as an election year approaches.

With less than 10 months to go before the parliamentary elections, in which the rightist opposition is expected to wrest control of the National Assembly from the Socialists, rumors have abounded in Paris that the administration was planning some moves toward denationalization to gain favor among France's more conservative voters.

These rumors have now been flatly denied by government ministers, notably Industry Minister Edith Cresson. They insist the administration has nationalized only parent companies and not their affiliates, leaving the latter free to do as they wish.

"What we are seeing is a slow move by the government to approve listings on the Paris Bourse of small amounts of shares of the affiliates, or subsidiaries, of large nationalized companies, not a wave of denationalizations among the powerful parents," noted a stock market analyst, citing the move as an example of the government's more pragmatic approach to industry.

Adhering to its policy of reducing wide-reaching state intervention, the administration of Prime Minister Laurent Fabius, formerly the industry minister, has moved more in favor of promoting decentralized decision-making and entrepreneurialism.

An example of this trend was the landmark exchange of electronics assets between the two state-owned groups, Compagnie Générale d'Électronique and Thomson, in September 1983, which was negotiated exclusively by the managing parties.

Highlighting the shift away from centralized industrial planning is the decline in influence of the French Planning Organization, which since the postwar years has played a pivotal role in allocating

(Continued on Next Page)



TGVs waiting for departure from Paris. France's high-technology industries: Page 10.

Government Prepares To Defend Its Record

By Axel Krause

PARIS — The Socialist government of Prime Minister Laurent Fabius is gearing up for parliamentary elections next March determined to defend its record on what could emerge as the central issue in the campaign — the economy.

That task, according to most political observers, will be extremely difficult, given worsening unemployment, virtually stagnant growth and widespread allegations by conservative opposition leaders that the Socialists lack a credible strategy for spurring growth in the economy.

Le Figaro, a rightist daily newspaper, recently described the economy as in a state of collapse and termed the Socialist record "disastrous." Former President Valéry Giscard d'Estaing has called for a more expansionary policy. He also has indicated that he would serve in a new coalition government, assuming conservative parties regain their majority in the National Assembly.

Many observers and surveys predict the Socialists will lose heavily, following their tumultuous victory four years ago. However, François Mitterrand is expected to remain president until his term expires in 1988 and has promised to campaign actively.

The man in the middle, 38-year-old Mr. Fabius, reflects a calm, pragmatic approach to the centerpiece of his government's program, which he terms "modernization" of the economy. He regularly tells visitors, in defending his program, that it will be followed regardless of which parties win next March.



President Mitterrand, above, and Prime Minister Fabius, right.



"It would be foolish to do things differently," Mr. Fabius said during an interview at his office in the Hôtel Matignon on the Left Bank of Paris. Moreover, referring to his predecessors who served under Mr. Giscard d'Estaing — Raymond Barre and Jacques Chirac, the mayor of Paris — Mr. Fabius added that "their solutions on the economy were tried and they failed... we believe people will not forget that."

Basically, the Fabius plan embodies nationwide expansion of training and education programs, research and encouraging investments in private and state-owned industries, with a view to establishing "equal opportunities and justice" for the largest number of citizens. It also assumes that unemployment, now about 2.3 million, will continue rising in keeping with a restrictive fiscal and monetary policy.

"We are aware that many people are not happy with their situation, but we also believe that people are convinced that there is no serious alternative to what we are doing," Mr. Fabius said.

"And what have we made progress," he added. What encourages him? "Our opinion polls and intuition," he said.

Mr. Fabius and his aides insist that they will not go for a *relance électorale*, a widely rumored plan to expand the economy moderately between now and the March elections and one that is supported by the Communist Party and left-leaning Socialists.

Mr. Fabius was equivocal about when the government might ease its restrictive monetary and fiscal poli-

cies. The earliest time would be "sometime from now," Mr. Fabius said, and several prerequisites are involved. He cited the need to bring the country's current balance of payments back into the black, further reducing chronic inflation and building "a modern and competitive" French industry. "A lot will depend on [the cooperation of] the French business community," he said.

Although Mr. Fabius may be tempted to push for some expansion in the months ahead, most observers agree that the room for maneuver is extremely limited. "In the absence of concerted European

action, a highly unlikely development this year, a major reorientation of the [French] policy is unlikely," said Wharton Econometric Forecasting Associates, Inc., a U.S. consulting group, in its May review of world economics. Senior government officials, speaking privately, say that any politically inspired move to ward expansion would risk rekindling expectations of inflation and would backfire immediately, probably causing a sudden weakening of the franc in world currency markets.

"Even if we wanted to reflate, we couldn't," said a senior Finance Ministry official.

Indeed, there is general agreement among private forecasters, such as Wharton, and international agencies, such as the Organization for Economic Cooperation and Development, that the government is on the right track, even though, as the OECD recently noted, France's domestic demand is likely to grow at only half the combined rate of the European Community during the next year.

On the positive side, the government has reduced inflation from an annual rate of just under 14 percent in 1981 to 6.4 percent. The current account in the balance of payments could wind up in balance this year, despite a deficit of 16.8 billion francs in the first quarter. Productivity and corporate profits have grown substantially, which is reflected in booming stock markets in Paris, Lyon and other cities.

Deregulation of the banking system is starting, along with partial privatization of nationalized industrial companies. Interest rates have fallen somewhat. And the budget deficit has been kept to just over 3 percent of gross domestic product. "There are constraints, and we cannot spend more than we earn —" (Continued on Page 10)

The Voices of the Opposition

Barre: End the Controls

By Raymond Barre

AN ACCURATE estimation of the economic situation in France at the beginning of 1985 must not be restricted to the observation of a number of relatively satisfactory results that could lead to the impression that it is developing favorably. It is necessary to draw from this situation, as clearly and objectively as possible, the positive and negative aspects that it contains.

In April 1983, the government decreed a complete turnabout in the economic and social policies that it had initiated in 1981 and was unquestionably successful in putting a halt to the rapid deterioration of the situation that had brought about three devaluations of the franc within a period of 18 months. When we compare the results of 1984 to those of 1982, we

see that inflation has been reduced sharply, that the rise in production costs has been slowed, that the deficit in the balance of trade has been cut, that the balance of current accounts is nearing equilibrium and that the franc's rate of exchange has been stabilized within the European Monetary System. Yet, these results are fragile and many negative factors remain as a threat to the future.

The drop in the rate of inflation is due in part to disinflation throughout the world and to a slower rise of labor costs, but most of all, it is due to price controls of most of the industrial products listed on the consumer price index, to the control of public utilities rates as well as to the limits placed on wage increases. This last factor has been made easier by rising unemployment. Yet, despite all these controls, the difference in the rates of inflation between France and its main economic partners has not been reduced to a great extent (2.1

percent in March 1984 against 2.9 percent in March 1981 after having amounted to 6.2 percent in March 1982.)

France has not managed to achieve a full recovery in its balance of trade (Continued on Next Page)



Raymond Barre

France has not managed to achieve a full recovery in its balance of trade (Continued on Next Page)

Chirac: Curtail the State

By Jacques Chirac

AS WE APPROACH the middle of the year, one thing is clear: Socialist medicine, whether it be expansion through budget deficits and inflation, as in 1981 and 1982, or a forced return to austerity, is no cure for what ails France. The latest economic indications are proof of that.

According to these figures, economic expansion in France did not reach 2 percent, as some were too quick to announce, but only 1.5 percent. Furthermore, the National Institute of Statistics and Economic Studies has forecast a national growth of 1 percent for 1985, which is 1 to 2 points lower than the expected growth of most of our neighbors.

As for prices, here, too, the Socialist government was too hasty in

claiming victory. The government thought that it could bring the rate of inflation down to 4.5 percent in 1985, but, according to the figures for the first quarter of the year, it is clear that the inflation rate will remain between 6 percent and 7 percent. This is a very unsatisfactory result because the gap between French prices and those of our neighbors remains wide and is even growing. This is particularly true of the difference between French prices and those of our main trading partner, West Germany.

Furthermore, industrial production for the last year has shown absolutely no growth. Under these conditions, it is not surprising that job offers are falling, that unemployment is rising and that the situation for business remains precarious.

And in foreign trade, the poor results of the first quarter of the year have dashed the government's hope of achieving a small surplus

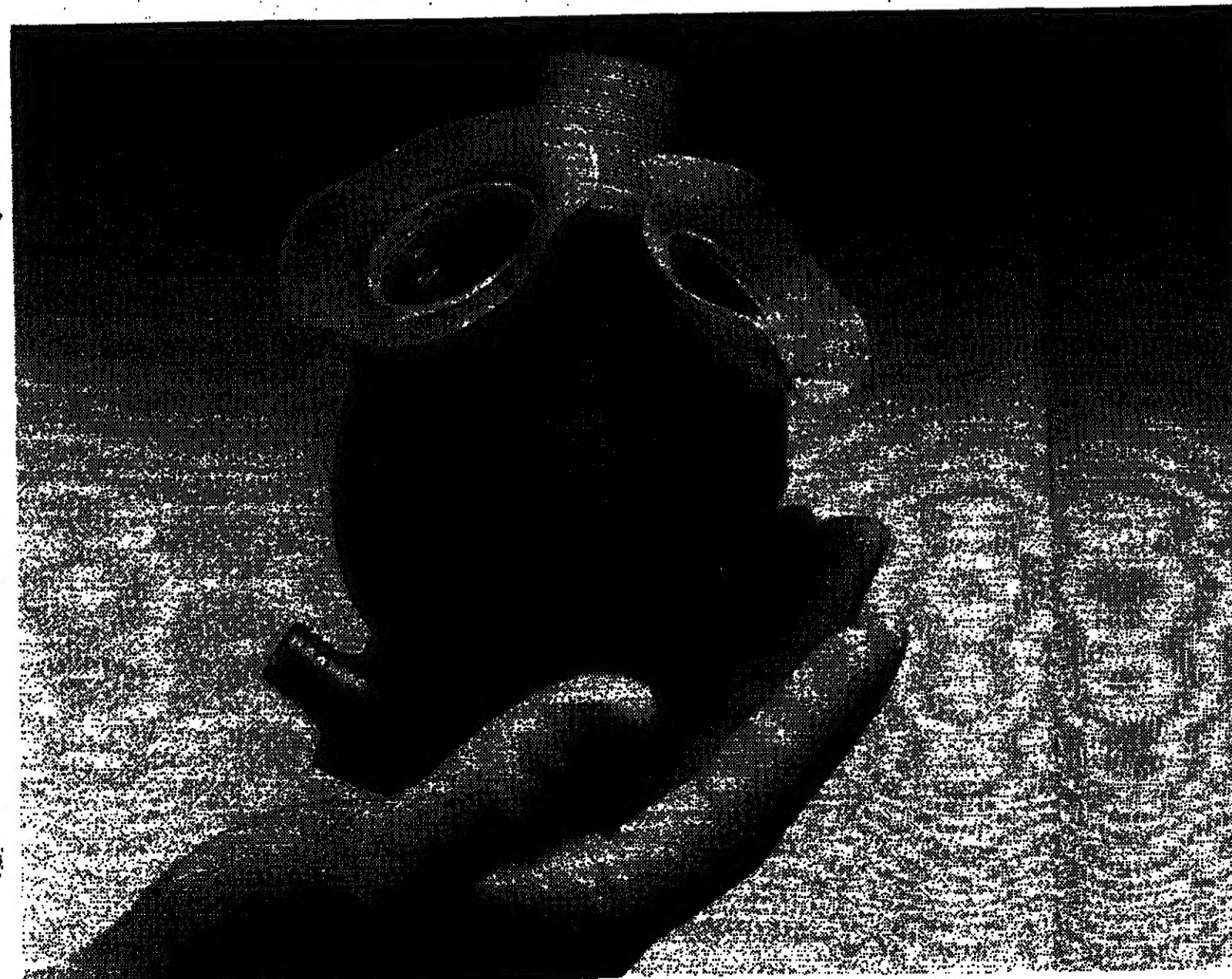


Jacques Chirac

For 1985. On the contrary, the current trend indicates that there will be a deficit of about 30 billion to 35 billion francs in external trade.

For unemployment, the slight improvement in March, a drop of (Continued on Next Page)

How Airbus and Ariane have put new heart into our technology.

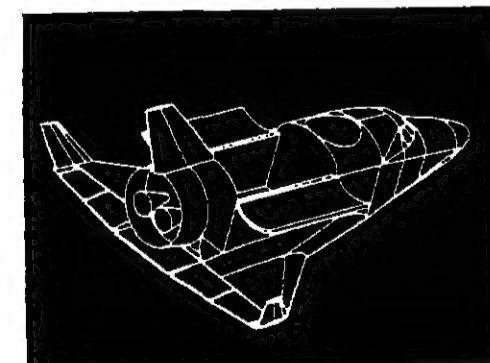


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A SPECIAL REPORT ON FRANCE

Barre: Recovery Requires an End to Controls

(Continued From Previous Page) ance of payments. It has not been able to develop the surplus that it needs to stabilize its external debt. France's credit rating is one of the best in the world, but the prospects for expansion of the French economy in the medium term will be hindered by the obligation to service its debt. Furthermore, French business enterprises have lost some of their ability to compete and their share of the international market is falling.

French firms, which were seriously shaken by the economic measures imposed by the Socialist government in 1981 and 1982, are beginning to profit from an improvement in their earning ability. Yet, the results are extremely varied for private firms as well as for those in the nationalized sector. The serious situation of Renault, which made a profit in 1980, illustrates the negative effects that price controls and a rise in production costs have had on industry. And this is a consequence of the measures imposed by the Socialist government.

Business investments, which have dropped sharply since 1981, still have not recovered; they were

down 2.9 percent in volume in 1984 after declines of 4 percent in 1983, 1.2 percent in 1982 and 2.7 percent in 1981. The rise in industrial investments in 1984 did not compensate for the drop of investments in the other sectors: agriculture, housing and public works, transportation and services. Price controls

France has not managed to achieve a full recovery in its balance of payments. It has not been able to develop the surplus that it needs to stabilize its external debt.

and stagnation of economic activity do nothing to facilitate their resumption.

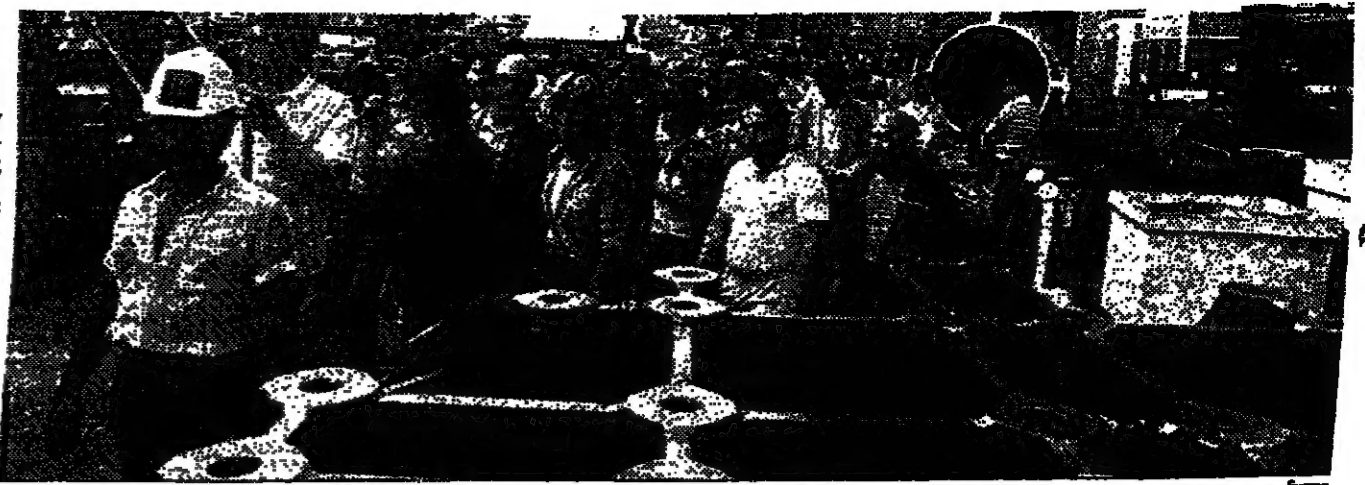
The employment situation never has been as poor as it is now. The continuing rise in the number of job seekers is less of a concern than the French economy's net loss of jobs since 1981. The policy of "modernization" that has been much vaunted since 1983 can be summed up as an increase in job

dismissals by private businesses whose activity is slow, and as more subsidies for nationalized industries (iron and steel, shipbuilding), where the pressure of labor unions remains powerful enough to curtail their necessary reorganization. But, it is the financial situation of the nationalized sector that is of

beginning of 1981 was on the way to recovering from the second massive rise in petroleum prices, during the rest of that year and in 1982 it fell behind in adapting itself to the changes in the international economic situation. This delay may have worsened in 1984, if the results of the French economy and those of its main competitors are compared.

This situation will weigh on all French governments in the coming years, whatever their political inclination may be. In my opinion, recovery will require a new economic policy based on ending controls that hinder business activity, the progressive reduction in the deficit of public finances through a cut-back in spending, altering the tax system so as to stimulate business activity and investments, and stabilizing, then reducing, the external debt.

A policy such as this could have satisfactory results only if it were applied continuously for several years in a climate of political stability and confidence. The improvement of the economic and financial situation in France depends more on political conditions than on technical formulas.



A demonstration at Creusot Loire.

Socialists Find Unemployment Won't Go Away

PARIS—When France's Socialists were elected to office in 1981, one of the key pledges in their platform was to keep unemployment below the 2-million mark. Now, more than four years later and in a pre-election year, the jobless total in April was 2.3 million, or about 10 percent of the total work force.

Reconciling the need to restructure key sectors of French industry, often including unpopular measures to cut manpower levels, with the priority of keeping jobs to total down has proved an uphill task for Prime Minister Laurent Fabius and his predecessor, Pierre Mauroy.

Early retirement, retraining programs and the option to quit with severance pay are among the government's solutions to the problem of overmanning in sectors such as the automotive, steel, iron and coal industries. But these measures, often involving huge compensation payments that dent the already strained state budget, have left their scars on declining industries and their manpower.

Not only are smokescreen industries, such as coal, steel and shipbuilding, coming under the hammer, nuclear power, transportation equipment and telecommunications are also feeling the pinch.

Moreover, mergers, asset swaps, plant closures and other rationalization measures springing from the government's earlier policy to nationalize key sectors of industry have led to jobs being shed rather than created. According to recent official statistics, the French economy will show a net loss of a further 170,000 jobs in 1985, a rate comparable to last year's levels.

It is also forecast that between 1984 and 1988, the French automotive industry alone will have to cut 80,000 jobs, a good 10 percent of the industry's work force. In this sector, the state-owned Renault and the private groups, Peugeot and Michelin, are the worst hit.

In coal and steel, the existing labor forces of 57,000 and 90,000 are being cut by about 28,000 and 25,000, respectively, in the period 1984-1988, mainly through early retirement, redeployment to other related sectors and retraining programs.

Other areas feeling the ax are shipbuilding, textiles and telecommunications, where more than 40,000 jobs have disappeared or are being eliminated.

Among the worst hit in the unemployed bracket is youth. "This government will be judged on its record on youth unemployment," Mr. Fabius said shortly after becoming France's youngest prime minister nearly a year ago. Almost half of France's unemployed are under 25. Public services, under pressure to save state money, as well as the private sector, are not taking on young people after school or university studies are completed.

Aggravating the situation are the large numbers of immigrant youth,

often second-generation North Africans born in France, searching for scarce jobs. They have met with increasing resistance from racist elements.

The government is attacking the youth unemployment problem through more professional training and extended state educational programs, as well as community work.

Confronted with the magnitude of the jobless problem, the attitude of France's labor unions has proved ambiguous. Only about 22 percent of the total work force, the lowest percentage in the European Community, belong to unions and the proportion is in decline.

According to an official at the Communist-dominated Confédération Générale du Travail (CGT), France's largest union, membership has fallen to about 1.6 million from 2.3 million in the late 1970s. "With the departure of the Communists from the government last year, and general disillusionment among party ranks, it's true to say that union morale is low at the moment," the official said.

While mounting strongly worded attacks on the government's employment and industrial policies, CGT and other union leaders have recently found that their calls for strike action are going unheeded.

—MICHAEL METCALFE

Chirac: Socialist Medicine Is No Cure for France

(Continued From Previous Page)

0.2 percent, should not be considered to be anything more than just that. The real problem is that the average duration of unemployment continues to increase, while job offers continue to decline. In addition, it is well known that the real figure for the number of unemployed is 300,000 to 400,000 higher than the figure published by the government. This can be explained by the so-called "social treatment of unemployment," which now takes new forms, such as the Travaux d'Utilité Collective (Work for the Community), or through the system of Contrat/Formation/Reclassement (Contract/Training/Reclassification). It would be reasonable to place the true unemployment figure for France at 2.7 million.

The general economic situation in France is fairly somber at the present time. The government too hastily declared that the situation had returned to normal; this has not taken place. France is in the unfortunate situation of having the disadvantages of slow growth leading to increased unemployment without the beneficial fallout of lower prices or improved external

trade. This is all the more dangerous because the gap with foreign countries continues to grow. During the last two years, economic growth in West Germany was far greater than ours and for this year the West German trade surplus is expected to be more than 30 billion Deutsche marks, while its

been changed. What can we reasonably offer the people of France? Breaking with this past does not mean imposing on France an unbridled form of free enterprise. In France, as in other countries, the state must maintain full control of its essential and traditional duties, that is, it must assure an overall

And this is true for the creation of new investments that will bring about new jobs or for a resumption of a well-balanced and vigorous expansion.

The means to achieve this economic recovery are well known. Briefly, we must reduce spending by the state so as to control the budget deficit, while progressively cutting back the total of fiscal charges to 40 percent of the gross national product, particularly taxes on businesses and on private citizens.

Such a policy will also entail controlled deregulation of prices, rates of exchange, credit, the right to work so as to unfetter French businesses to allow them to recover their dynamism and compete with foreign firms on equal terms.

It further means that the state should withdraw from fields where it does not belong, through denationalization and by a progressive easing of government intervention.

To cut back the role of government, reinvestigate business and give individual citizens greater responsibility — these are the basic principles of the program that I plan to propose to the people of France when the time comes to choose a new government.

Production has shown absolutely no growth . . . it is not surprising that job offers are falling, unemployment is rising and the situation for business remains precarious.

inflation will not rise more than 2.5 percent. And I have made no mention here of the economic performance of the United States and Japan, both of which are still far better.

What is to be learned from all this is very clear: Socialist policies, whatever detours they may take, whatever changes they go through, can lead only to economic failure. Since the system has failed, it must

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A SPECIAL REPORT ON FRANCE

Expanding
Bourse
In Need of
Reforms

By Vivian Lewis

PARIS — The Paris stock market has flourished under the Socialist government, if only because the proceeds from nationalization and the lack of other investment opportunities led investors to rush for the Bourse. And the markets, in turn, developed alternatives to lure investors.

The possibilities range from Treasury mutual funds, which enable corporations to place short-term available funds at a high yield, to share savings accounts, which bring tax advantages to private investors, to new instruments to raise capital for nationalized companies, called participatory shares and investment certificates.

But the most important innovation since 1983 has been the arrival of a wholly new market for start-up companies, the "second market." Smaller, family-controlled companies are encouraged to issue shares in this market by reduced reporting requirements and the possibility of maintaining majority control in family hands.

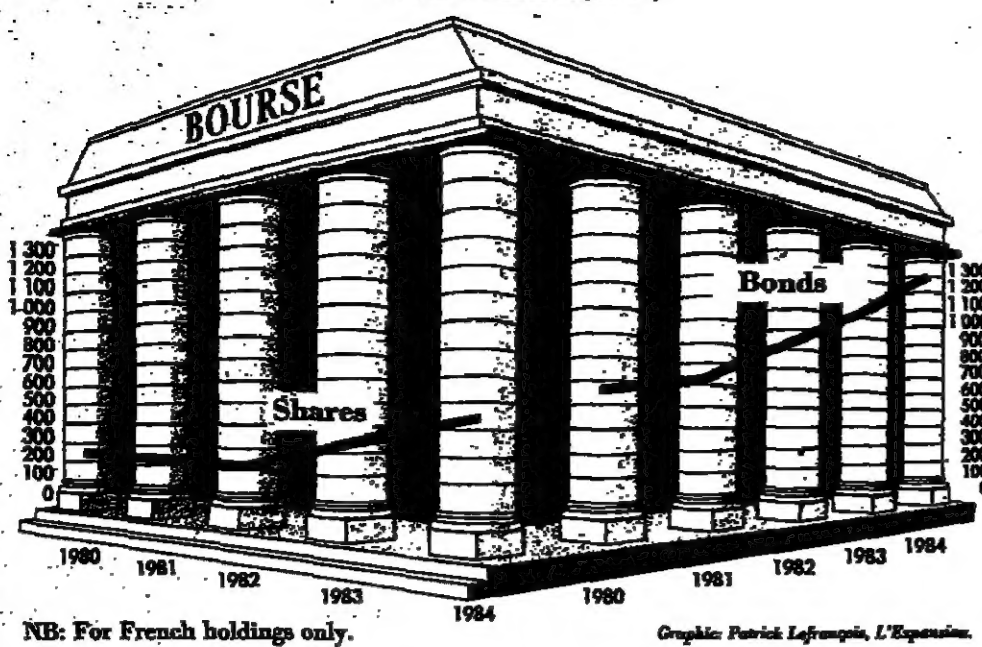
The second market, after two years of operation, has grown to 72 listings, capitalized at the end of the year at 23 billion francs (a further 23 companies, capitalized at 3 billion francs, are quoted on regional French markets). Yet there are serious problems with the second market that have been noted by the Commission des Opérateurs de la Bourse, the French equivalent of the U.S. Securities and Exchange Commission.

When a new issue takes place (and particularly on the second market, where only a minority of shares are offered), demand vastly exceeds supply. Since new issues have tended to perform particularly well in the past, the rush to buy feeds on itself. In France, where brokers do not place shares with their customers or act as underwriters, the disparity in demand is hard to control.

French brokers, who since Napoleon have operated as a government-licensed monopoly, have attempted to control the share rush by setting ceilings on how much each bidder can seek to buy and by requiring that potential buyers put

Shares and Bonds Post Major Gains

(Capitalization in billions of francs as of December 31, 1984)



NB: For French holdings only.

Graphic: Patrick Lefrançois, L'Espresso.

up cash to cover the amount they are seeking. But, because of cheating in several new issues (either by bidding above the ceiling or by failing to put up the funds), the restrictions failed to work and the Bourse Commission wants to tighten controls.

But the head of the Commission, Yves Le Portz, says, "There is no miracle solution."

The problem of liquidity trying to squeeze into a funnel is not unique to the second market. The potential difficulties of broader institutional trading on the Paris

to handle the block trading that longer hours and negotiable commissions are expected to bring to Paris.

Rather than adopting a British or American model, the French are basing their planning on Japanese modes and hope to incite brokers to combine forces with banks and foreign institutions (brokers or investors) to create new market-making intermediaries, called *sociétés de contrepartie*. There is no reason under French law why foreign banks or brokerage houses could not be partners in such enterprises.

electronically has been put into place for large firms.

Modernizing methods, increasing international block trading, creating new instruments, cutting down on insider abuses — all this should help the French capital market continue its growth. In 1984, according to Mr. Le Portz, total trading rose 55 percent, to 504 billion francs, double 1982 levels. Most of the increase was in bond issues and trading, while the new share market rose by only 12.5 percent, to 48.4 billion francs, and share transactions stayed flat with 1983, at 100 billion francs.

Of course, the interest of the Bourse is not only its volume but the price at which shares trade. The Compagnie des Agents de Change Index at the end of March stood at 211, compared with 180.4 at the close of 1984, and 156.7 at the end of 1983. (The base of 100 is the close of the year 1981.)

According to analysts at Crédit Commercial de France, addressing a seminar on high technology shares last month, "during these last two years, the Paris market has outperformed the major world stock markets on a total-return basis whatever the currency."

"Ironically enough," said Bernard Petit of Crédit Commercial de France, "a danger cited often by foreign analysts is the potential downward pressure on the market in the event of denationalization" of French state-owned companies.

The most important innovation since 1983 has been the arrival of a wholly new market for start-up companies, the "second market."

Bourse include the capacity of the small corps of brokers to handle new volumes.

A Paris institutional market for international investors will require much longer hours of trading and a greater capacity for market-making. (The Bourse operates only for two hours per day at present, just when most Frenchmen are eating lunch.)

"The tiny bank of undercapitalized French brokers, the Compagnie des Agents de Change, who are civil servants by statute, will not be able to act as specialists or jobbers

For example, since last November, bond and shareholders in France have no more right to a certificate of ownership. All that remains is an electronic record in the computer of a legally acceptable intermediary body. French companies, meanwhile, have relatively incomplete corporate rolls, since most shares and bonds are held anonymously, *en porteur*, with acceptable intermediaries like banks and brokers sending out dividend or interest checks and notices of annual meetings. But now a system for keeping the corporate roll

Taking a Little Gamble
On Value of the Franc

PARIS — The French government is taking a gamble on the franc — but not a big gamble. It appears to have ruled out a devaluation now, giving up the trade advantage of a cheaper franc.

Devaluation could have been justified by the inflation-rate differential within the European Monetary System (6.4 percent in France against 2 percent in West Germany).

French money planners have decided that they can live with the risk that the franc will be put under pressure if the dollar falls sharply against the European Monetary System's lead currency, the Deutsche mark. For the government of Prime Minister Laurent Fabius, a franc devaluation would be fatal if it occurred close to next year's National Assembly elections.

But there is another gamble that, in the view of French bankers, the government will not take. Despite minor liberalization moves, France still lives under exchange controls. To be sure, the Eurofranc bond market has been allowed to reopen with a bit more liberty, permitting foreign banks to become lead managers, and some issues in the composite European Community currency, the European Currency Unit, may now be sold to French

residents. Also, restrictions on French tourist spending outside the country have been eased and French companies will be able to invest outside the country a bit more easily and can repatriate the proceeds of foreign sales a bit more slowly. French banks will be allowed to create provisions in dollars to cover dollar-denominated risks for the first time.

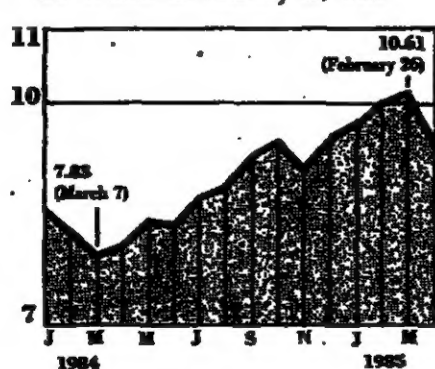
Yet the ramshackle bureaucracy of French exchange controls (dating from 1919) has been largely left in place. As many as 80,000 people in France work on exchange-control matters full time. And the perverse effects of the system hinder French business as never before, because of the increasing internationalization of trade and capital markets.

The only serious attempt to dismantle the system was disrupted by the May 1968 student uprising, which led to a massive sell-off of the franc. The system was put back in place the following year.

When the Socialists took power in 1981, restrictions were increased by the creation of a foreign investment pool, which cannot be added to. As a result, for a Frenchman to invest in stocks or bonds outside the country, he must persuade an

Franc vs. the Dollar

The franc reached a high of 3.99 to the dollar on October 30, 1978, and a low of 10.61 on February 16, 1985.



other Frenchman to sell them. This is done by paying a premium, called the *devise-titre*.

Some of the effects of the anachronistic controls are irritating, some are perverse and some raise questions about the international role of the franc, even as part of the European Currency Unit.

French companies investing abroad have to borrow in foreign currency, even if they do not need to. Marc Ladreit de Lacharrière, financial director of L'Oréal, the second largest cosmetic company

in the world, said, "In 1984, we made an artificial 25-million-franc exchange loss because the French government requires that French companies borrow abroad if they have a treasury surplus."

On the other hand, French companies that have a foreign capital gain do what they can to avoid repatriating it to France and having it subject to restrictions against reinvestments abroad.

Thanks to the removal of withholding tax last autumn, foreign holders are attracted by the French bond market. But they cannot leave their interest earnings in France because of the administrative burdens on nonresident franc bank accounts.

Maurice Hux, general manager of the nationalized Société Générale bank explains another adverse effect of the combination of *devise-titre* and exchange controls in a period when foreign investors are rushing to put funds into French stocks and bonds: "Frenchmen collectively are the only investors in the world who cannot arbitrage their holdings in francs and other currencies, who cannot add to their holdings in francs."

The result is considerable damage to French banks. French investors, banks and corporations are forced to operate offshore, denying France fees and commissions that otherwise would come to Paris. And French pretensions to make Paris a top financial market for shares or bonds, for commodities or reinsurance, for portfolio management or financial services, founder at the exchange-control obstacle.

Because exchange controls keep the Eurofranc market from organic growth, the French system also spells trouble for the European Currency Unit, which the French government wants to build up as a reserve currency. The franc component makes up 19 percent of the unit and French interest rates have a bearing on interest rates of the ECU market, which is increasingly being used by borrowers and traders internationally.

—VIVIAN LEWIS

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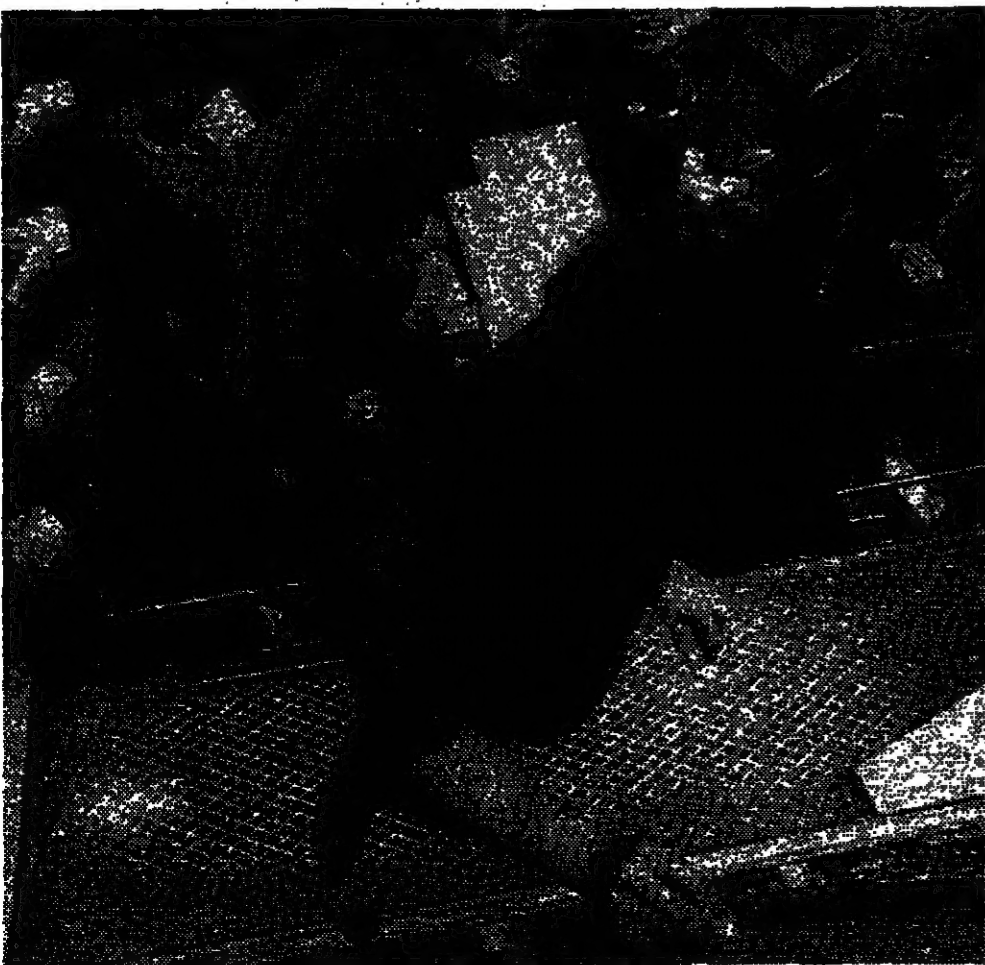
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Trading on the floor of the Paris Bourse.

A SPECIAL REPORT ON FRANCE

Minister's Export Campaign Remains Dependent on State

PARIS — Last year, American radio audiences of the three major networks, plus local stations in Texas, California and New York, heard a woman's lightly accented French voice telling them: "My name is Edith Cresson. I am the French minister of foreign trade. France is more. More than fashion, wine and cheese. We have the fastest train in the world. We have launched, with success, a satellite. We are making software equipment for the future."

Shortly after her radio campaign, Mrs. Cresson added another portfolio to foreign trade, becoming the minister of industrial redeployment as well. But the problem of French exports she was trying to resolve with radio ads remains. In 1984, France again ran a trade deficit with the rest of the world, although lower than before: 19.6 billion francs, compared with 50 billion francs and 93 billion francs in 1983 and 1982, respectively.

Mrs. Cresson has ruled out tactics like those followed by President Francois Mitterrand's first foreign trade minister, Michel Jobert, who used

bureaucratic wiles to stop imports of Japanese video cassette recorders. Shiploads of these recorders were diverted to Poitiers, in southwestern France, and processed through customs extremely slowly.

But Mrs. Cresson is quick to point out that "France is hardly alone in being accused of protectionism, and other countries like the United States use bureaucratic methods to delay or halt imports, too."

Figures issued by the Organization for Economic Cooperation and Development indicate that foreign manufactured goods sharply increased their share of French markets from 193 percent in 1970 to 36.7 percent in 1983. The Mitterrand government's slogan calls for "reconquest of the internal market" as well as a push to export more. French industrial investment has lagged behind that of its trading partners for a decade, as a result of which it has aging and uncompetitive plant and equipment.

Mrs. Cresson's remarks on radio about rockets

and trains and software programs are not merely advertising puffery. In fact, the French have major industrial achievements to boast about, including an economic and safe nuclear power system, which now provides 59 percent of all French electricity, leaving enough left over for sales to foreign power grids and giving France an edge in nuclear technology and equipment sales.

In telecommunications technology, late modernization of its national system has given France an international lead. Mrs. Cresson says that "the French network, which is 40-percent digitalized, is the world's most advanced."

Yet in each of these areas, the French lead comes from state-sector spending, by the government-owned railroads and power company, by the post-office-owned phone system, by the nationalized aerospace firm, Aerospatiale. Even in fiber optics, in microprocessor-equipped "smart cards" in chips, the public sector takes the lead, usually with government funding. The tradition goes back well before the Socialist government came to power in 1981.

As a committed Socialist, Mrs. Cresson does not object to the role of the government in the economy. And she is prepared to use state funds to help exports along, too, most recently by agreeing to provide 4.35 billion francs in export credits to China, 1.7 billion francs of it in the form of mixed credits, that is, with a below-market interest rate achieved by using grants in addition to credits.

"It is a question of helping the Chinese to pay us," Mrs. Cresson says.

For the private sector, too, Mrs. Cresson sees a state role — with a difference. She sees herself as a force to rally and mobilize smaller private firms to incite them to export more.

In this role, Mrs. Cresson brings personal qualities of an aristocrat, in French or English, and energy. She is a professional statistician, who specialized in studies of farm demographics, which naturally led to her first Mitterrand ministry, agriculture.

— VIVIAN LEWIS



April, 1985: Mrs. Cresson in Beijing.

Entrepreneurial Timidity Slows Technological Progress

By Amiel Korneil

PARIS — Despite a political climate favoring innovation, France's prospects for technological development continue to be clouded by innovators' entrepreneurial timidity and industry's slow move to modernize.

Nobody can doubt France's technological prowess. The success of many high-tech products and projects certify French mastery of leading-edge techniques. And the list of success stories is growing.

• In software, French companies placed third worldwide in 1984 with revenues of 15 billion francs. The industry created 15,000 jobs over the last five years while employment in other sectors continued to climb. The Ada computer language, developed by a Frenchman, was chosen by the U.S. Department of Defense as its software standard.

• In space and on the ground, French vehicles are successfully applying advanced technology. The Ariane rocket is giving the U.S. space shuttle a run for the money in the competition for the global satellite-launch market. The TGV, the high-speed train, and the Airbus jet are attracting worldwide attention for their state design and able performance.

• In telecommunications, France has developed imaginative products, such as the "smart" debit card, and ambitious projects, such as the nationwide electronic phonebook. Small, easy-to-use computer terminals are being installed in every French home free of charge for the videotex application. The PTT-

financed Centre National d'Etudes des Télécommunications, the PTT research and development institution.

Government efforts to foster the growth of high technology and the modernization of industry during the last few years have spawned new business opportunities. "There has been an ennoblement of prof-

it," said Bernard Petit, financial services manager at the Credit Commercial de France. "The biggest change in France in the last two years is the promotion of enterprise," said Eric Adjoube, high-tech analyst at Alan Patricot Associates, a venture-capital company. "Someone who has a good idea can find the money. ... Two years ago, one couldn't find enough for large ventures. Or it would have

happened very differently, in the hallways of a ministry."

"Innovators now have quite a favorable situation in France," said Jean Ichbiah, founder of Alsys S.A. and creator of the Ada computer language.

But turning innovative technology into a motor for economic growth may prove more difficult

than its development, experts warn. "Most French innovators are not preoccupied with commercialization," said Guy Ragot, founder of Tigre S.A., a high-tech start-up that is beginning to commercialize an image-processing system. He said that ideas were not lacking but that few people had the courage to turn their ideas into reality.

The experts say that France cannot maintain a rapid pace of

technological innovation without the creation of new companies. "We feel that the source and demand for modernization and innovation should come from the small and medium-sized companies," said Jean-Marie Poutrel, director of the technology forecasting section at the Bureau d'Informations et de Prévisions Economiques, BIPE, in Paris. "Large groups are less well placed to inspire innovation."

And even when high-tech industry develops, economic modernization is not guaranteed. Experts point out the risks of emphasizing "showcase technology" that is not joined by a transfer of new techniques to traditional industries.

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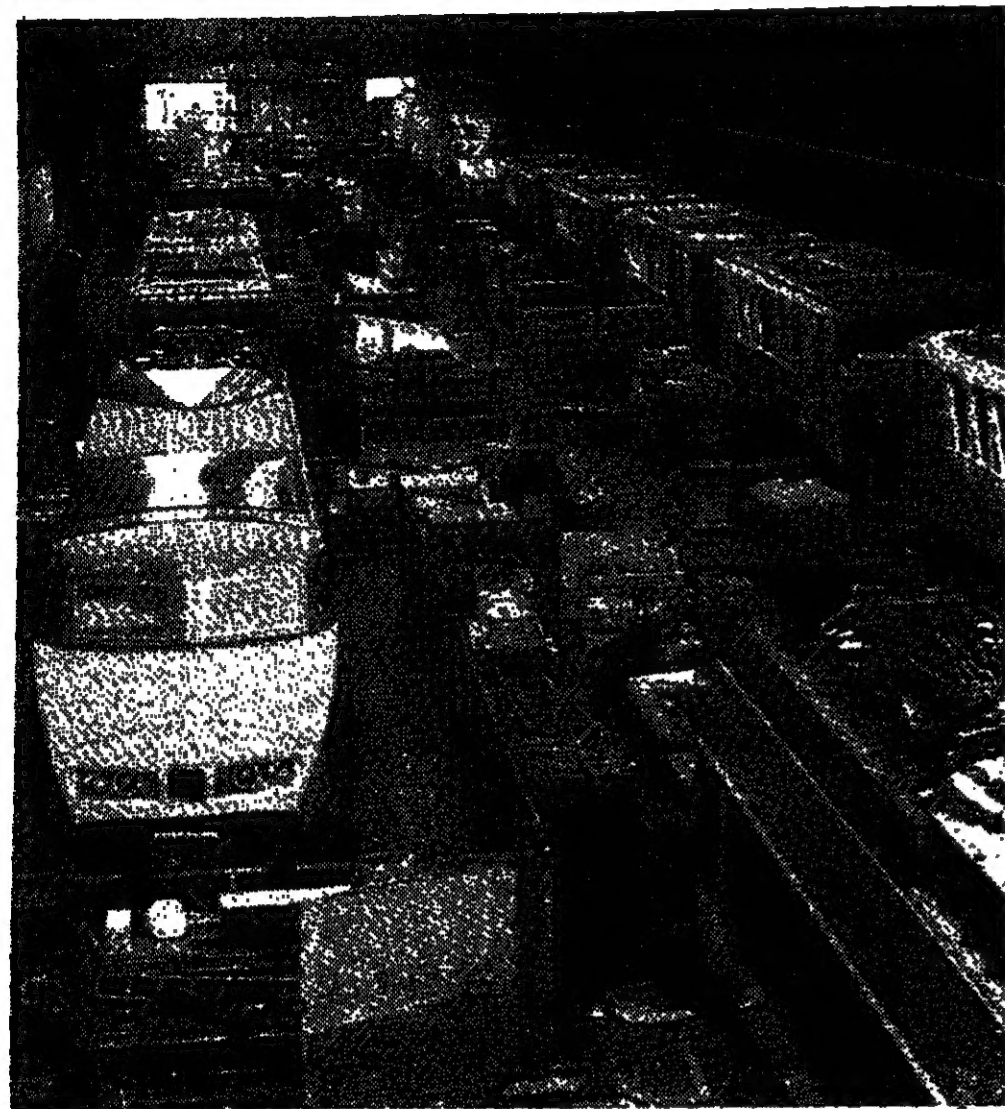
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Building TGV power units at Alstom-Atlantique's plant in Belfort. The firm is a subsidiary of the Compagnie Générale d'Electricité.

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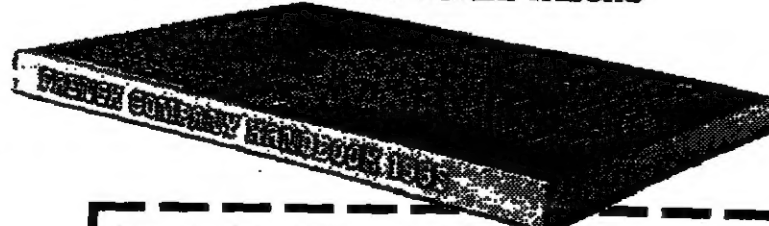
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Banque de France

Paris, le 28 Mars 1985

Le Gouverneur

Lettre de Monsieur Michel CANNESSE, Gouverneur de la Banque de France à Monsieur le

Président de la République, (Résumé).

— Habitats et sources de l'inflation, nous avons pu à l'origine le changement

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A luxury goods store in Paris.

Paris, le 28 Mars 1985

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A SPECIAL REPORT ON FRANCE

Paris Basin Gives Hope to Oil Firms As Drilling Proceeds

By Nancy Beth Jackson
and Charles D. Sherman

CHAMPS DE CHAUNOY — Under bright green fields of new wheat, 30 miles (48 kilometers) southeast of the Eiffel Tower, drilling rigs are tapping petroleum reserves in a vast sandstone geological formation called the Paris Basin.

The area around Chaunoy, famed for its Brie cheese, has been nicknamed Dallas-en-Brie, and it promises to become France's top oil-producing region. Although significant quantities of oil began flowing out of the ground here less than two years ago, Paris Basin crude already amounts to one-third of French domestic oil production.

What excites international petroleum companies even more is that Chaunoy may be just the beginning of a French oil boom, the first since the 1950s, but only a few attempts at extraction were made. A dozen deposits were discovered between 1958 and 1961, but production was minor.

With the oil stocks of the 1970s and the introduction of new exploration and drilling technologies, interest in the Paris Basin rekindled. Today Elf Aquitaine, Total, Esso, Trifon France, Shell, British Petroleum, Elfrep and Petropre (which discovered the first deposits in the basin at Coulommiers in 1958) are the chief operators and permit holders in the region, which has become a checkerboard of oil exploration projects.

Esso's 100-percent ownership of the drilling permit at Chaunoy is an exception to the general rule that the oil companies prefer to spread their risk in any particular site. British Petroleum, for example, holds interest in 16 permits in the Paris Basin, with participation

in the end of the year. Although far below Saudi or Texas yields, Paris Basin oil has injected new life into the ailing French petroleum industry, which over the past three years has closed refineries and cut staff because of stagnant consumption. The new oil means that France will be able to pare its huge energy imports.

Domestic production accounts for only 3 percent of France's crude-oil needs. Last year, the French spent 145 million francs (about \$145 million) on oil imports, up from 66.1 billion francs in 1979. Nearly a quarter of France's total import bill last year went for energy supplies, the bulk of it being crude oil. The new fields may save France about 3 billion francs, a small figure for the country but significant for domestic energy producers.

Esso and others first prospected for oil in the Paris Basin in the early 1950s, but only a few attempts at extraction were made. A dozen deposits were discovered between 1958 and 1961, but production was minor.

With the oil stocks of the 1970s and the introduction of new exploration and drilling technologies, interest in the Paris Basin rekindled. Today Elf Aquitaine, Total, Esso, Trifon France, Shell, British Petroleum, Elfrep and Petropre (which discovered the first deposits in the basin at Coulommiers in 1958) are the chief operators and permit holders in the region, which has become a checkerboard of oil exploration projects.

Esso's 100-percent ownership of the drilling permit at Chaunoy is an exception to the general rule that the oil companies prefer to spread their risk in any particular site. British Petroleum, for example, holds interest in 16 permits in the Paris Basin, with participation



Drilling for oil in the Paris Basin.

ranging from about 15 to 50 percent.

"Given the amount of money it takes to explore the oil, we prefer to be involved in a larger number of permits," said Hubert Jacqz, head of BP France. The company and its various partners plan 10 exploration wells in the Paris Basin this year.

The pace of exploration is accelerating. According to studies by the Chambre Syndicale de la Recherche et de la Production de Pétrole et de Gaz Naturel, French oil under oil exploration has increased 60 percent since 1983. Of the 105 permits requested in 1984, 51 were for the Paris Basin and involved 62,000 square kilometers (23,576 square miles), or almost twice the territory of the rest of the permits. In constant franc terms, 2.4 billion francs was spent last year in exploration and development compared with 1.3 billion five years ago.

Esso's 24-hour-a-day production at Chaunoy has been chiefly responsible for the big jump in basin output figures. In 1983, the Paris Basin accounted for 338,000 metric tons; last year, the figure nearly doubled.

Output at Chaunoy and a Total-Trifon project near Villeperdue, 54

miles east of Paris, have suggested that the basin's oil production could overtake the aging Aquitaine fields within the year.

Total and Elf, meanwhile, applied in March for permits to explore for petroleum under Paris itself. Trifon, which had participated with Total in several fields, does not plan to share in the Paris drilling venture.

"It is too difficult to work in a city like Paris," says Erick Dalbier, Trifon-France company secretary. But Gilbert Pommeroy, who heads Total oil exploration, sees Paris as just another potential oil field. He says that from an oil exploration viewpoint Paris is special only because it is one of the few squares on the checkerboard yet to be allotted to oil prospectors.

It isn't a technical problem," he adds, pointing out that curved drilling techniques developed in offshore exploration would allow a well to be sunk, for example, in the St. Cloud Park to tap oil under the Eiffel Tower. New seismicological techniques means much of the prospecting among underlying rock could be done with little disruption. A geothermal energy project in Paris has already used the same techniques.

Environmental concerns have played little part in oil exploration anywhere in France. Though the French government controls all mineral rights in the country, communities like Champeaux near the Chaunoy field benefit from royalties paid by Esso. Still, to forestall any protests, Esso conducted a comprehensive information campaign among residents in the Chaunoy area.

The government, for its part, has actively encouraged companies to apply for permits and has offered an array of tax incentives to promote oil exploration. Over the last five years the country has been moving away from reliance on Middle East oil supplies. Today, its biggest suppliers are Britain's North Sea and Nigeria.

"As the government 'take' in France is so low, even very small fields are economically attractive," Trifon's Mr. Brewer said. France, whose aggressive nuclear energy program has made it an exporter of electricity, will never export oil, say French oil men. But here on the agricultural plains, with derricks from Esso and the Total-Trifon group poking up only a few kilometers apart, a miniature oil rush is under way.

The Arms Market: Looking for New Group of Customers

By Joseph Fitchett

PARIS — As French arms exports reach new peaks, the Socialist government is trying to redirect its military-industrial policy to sell more weaponry to advanced countries in place of the Arab countries that have been France's main market, which may be heading for a crash.

This policy reflects the hard thinking that has supplanted the pious disapproval of arms sales that the Socialists brought with them when they came to power four years ago.

Today, as President François Mitterrand himself said recently, the French government is committed to exporting arms heavily in order to protect the estimated one million jobs that depend, directly and indirectly, on the arms industry. In addition, France's armed forces can only afford the weapons they need if factories get the economies of scale provided by export orders.

Beyond this official rationale, other economic facts matter: Arms exports represent nearly 5 percent of France's exports (and 40 percent of its capital-goods exports). Along with civilian airlines and agribusiness products, they are the major

items in defending the balance of payments. Arms sales reached a new high of 62 billion francs last year, according to Defense Ministry figures.

François L. Heisbourg, until recently a Defense Ministry official and now an executive in the French defense industry, notes in a forthcoming book that the French government is committed to

The French government is committed to exporting arms heavily in order to protect the estimated 1 million jobs that depend, directly and indirectly, on the arms industry.

coming article in *Politique Etrangère*, the French magazine, that arms sales acquired this importance in the early 1970s and have retained it ever since.

Throughout the 1970s, arms exports grew twice as fast as total exports, said Andrew J. Pierre in his book, "The Global Politics of Arms Sales."

As Mr. Pierre says: "French governments have got into the habit of boasting that they attach fewer strings or conditions on arms sales

— in fact, none — than other supplier nations." That has changed slightly, but only slightly, with the Socialists.

And French arms perform well. The Exocet missile, for example, gained an international reputation in the Falklands conflict.

The problem for the French gov-

ernment is to diversify its customer base before it is too late. The sales figures in 1984 reached a record because of two major deals. One was the sale of an air-defense system to Saudi Arabia. Consisting of missiles on tanks with sophisticated electronics from Thomson-CSF, the Saudi system cost 30 billion francs — half of France's total arms sales for the year. The second biggest deal was an order for Dassault's Mirage-2000 fighters from Abu Dhabi.

But the question about all these Middle Eastern sales is whether the market will last and, indeed, whether it is today profitable.

In the Iraqi deals, for example, the payment terms are secret. Apparently, the most recent big package, in 1983, involved stretched-out payment schedules, French loans and cheap oil provided in barter — a good deal only on condition that Iraq does not lose the Gulf war.

The Mirage deal with Abu Dhabi also involved cheap oil for France, a deal of questionable profitability as oil prices drift lower.

A critic of this escalation in barter deals, analyst Anthony Sampson, notes in a recent issue of "The Sampson Letter" that these exchanges of arms for oil are not only intensifying the arms race but also adding to the oil glut. The barter market, which offers especially large scope for high commissions, is "allowing the tail to wag the dog, leading both to a glut of planes and a glut of oil," Mr. Sampson wrote.

French officials, while refusing to acknowledge the extent of barter involved in arms sales, nonetheless recognize the risks of long-term overdependence on the Middle East market. France, therefore, has started energetically trying to find new markets in Europe and in the United States. More than just a new commercial campaign, this approach has important political and industrial overtones.

France suffered a spectacular setback in this market a decade ago, when Dassault's Mirage F-1 lost out to the U.S.-made F-16 in a sale to a European consortium.

To avoid similar failures, France has started mending its European fences. In the last 18 months, France has signed framework agreements for arms-development cooperation with almost all European countries, in NATO and outside it. And French officials and executives have become actively involved in the Independent European Program Group, a weapons-planning agency linked to the North Atlantic Treaty Organization.

The biggest arms market remains the United States, and France's military field-communications system, Rita, is vying with the British system, Parmigan, to become the standard U.S. system, a multi-billion-dollar sale.

In the long run, however, French officials said, the U.S. market will only be accessible if European nations develop cooperative ventures in defense-manufacturing that pool their resources. This kind of collaboration is essential, they said, to make European arms competitive and to give European sellers the combined political clout to overcome U.S. resistance.

Another factor favoring European collaboration is the new technological challenge in weaponry. A well-publicized example of this is the U.S. strategic defense initiative program, known as "star wars" — a defensive system for which a range of revolutionary technologies are being developed. This program, controversial in Europe, has done a lot, Mr. Heisbourg said, to "concentrate our minds in Europe" about looming technological challenges.

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The expansion of world-wide markets together with the growing internationalism of trade has led to an ever larger number of companies developing across national borders to take advantage of foreign markets. French companies are no exception to this development. But, as a rule, more publicity has been given to the role played by the large corporations and banks whereas the equally important contribution of the small and medium-sized companies has been all too often overlooked.

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A SPECIAL REPORT ON FRANCE

Privatization vs. State Control Brings Flux, Angers Media

PARIS — The French media is in flux and it is not happy about it. France's new-found competitive environment, emerging from under the burden of state intervention, is busily reshuffling the pack of private and national interests making up French radio, television, cable, satellite service and the press.

Under the presidency of François Mitterrand, the Socialist government has played a decisive role in the rapid changes in the media

map, often to the dismay, frustration and anger of journalists, program planners and entrepreneurs. The issue has been taken up by the government's political supporters and detractors, with the traditional lines of political demarcation in many cases breaking under the strain of reconciling cultural policies with economic expediency.

"Partisanship has no place in the current media debate, and where it does arise, it is ugly and venomous," said Thierry Ridoix, a private media consultant.

The television revolution, accelerated by Mr. Mitterrand's announcement last January to allow the introduction of private over-the-air television by next year, has left many casualties in its path.

Signaling the effective dissolution of France's traditional state television monopoly, the planned privatization coincides with efforts to stitch together a grandiose and costly nationwide cable program and the introduction of Europe's first television service by direct satellite.

The ebb and flow of control and deregulation in the media has speeded up ahead of national elections next year, when the rightist opposition is expected to wrest control from the Socialists.

Whereas on the one hand, the government has trumpeted its adherence to 1981 campaign pledges to broaden the base of media liberalization, for example, by setting up independent local radio stations, it has also been exposed to charges of systematically tightening its grip on state-run television.

Nor have suspicions of government attempts to reassert control over branches of the media been confined to broadcasting. The doubts have spilled over into the press with the resignations recently of over half of the editorial staff at Le Matin, the pro-government daily, to protest the appointment as editor-in-chief of a former presidential spokesman, Max Gallo.

"The government may well be reasserting the traditional state grip on broadcasting media's political content out of purely selfish political motives but this does not affect its plans and options to break the state television monopoly in the technical and entrepreneurial fields," said Mr. Ridoix, the media consultant.

The apparently receding state intervention in the economy and industry has thrown open a multitude of plans and options to revamp French television and radio more along private lines.

The Mitterrand plan for private television calls for the creation of 85 regional private stations that could be linked up to two or three national networks in the hope that increased advertising revenues would result in more profits and more jobs on a regional level.

The government also has been engaged on huge and costly cable and satellite programs.

Designed not only to cover France with an array of new multi-channel television services but also to generate a range of fresh services in the telecommunications sector, the government launched a 60-million franc nationwide fiber-optic cable program in 1982 spread over 15 years.

Seen as an attempt to revitalize France's infrastructure along the lines of its high-speed train network and expressway system, the project may well come into conflict with the private television project and see its financial and technical

resources whittled away if the two systems are not made compatible.

The satellite program, on which nearly 3 billion francs has been spent so far, calls for a satellite to be launched next year to provide France with direct satellite television. Already subject to controversy, the project is threatened because of the private television plan.

At a time when France's Canal Plus, an over-the-air pay television channel 42-percent owned by the government, has fallen on hard times because of declining subscriptions since it went on the air last November, state and private resources allocated to television media could well be stretched too thin.

With a France saturated with private and state-run television stations and networks, the question arises whether competition will boost the quality of the viewers' product from the mediocre levels of today's state television. Aware of the challenge posed to their monopoly, the three national networks are seeking to improve their image by investing more.

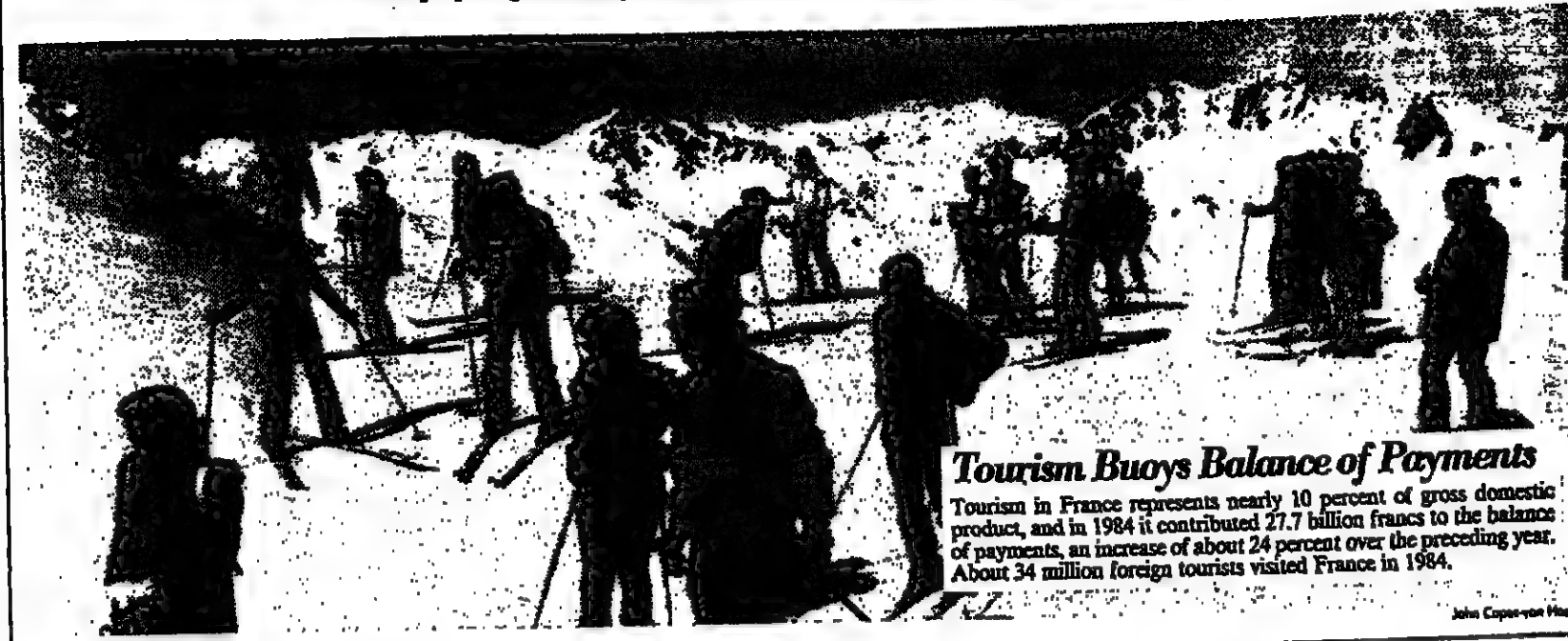
While the government emphasizes broadcasting media in its efforts to make French electronics and telecommunications more competitive, the press has taken a turn for the worse.

The left-leaning daily Le Monde is deep in financial crisis, with a new editor in chief at its helm, is walking a tightrope by planning to modernize its staff image without losing its old readership. Its success, or failure, will be watched by a French media currently concerned with its own troubles.

— MICHAEL METCALFE



Toddlers preparing for skiing at Tignes, above. Below, a day on the slopes at Val d'Isère.



Tourism Buys Balance of Payments

Tourism in France represents nearly 10 percent of gross domestic product, and in 1984 it contributed 27.7 billion francs to the balance of payments, an increase of about 24 percent over the preceding year. About 34 million foreign tourists visited France in 1984.

John Cooper-van Hasselt

In the Fine Art of Perfumery, French Are Banking on Nose

By Leticia G. Jett

PARIS — Although the Egyptians and the Romans anointed themselves with aromatic oils, it was the French who raised what was simply a pleasant indulgence into an art. And for more than 800 years France has been the creative center for what is one of the most romantic, mysterious — and profitable — industries in the world.

Internationally, in the fragrance

business, the French are banking on their nose.

Although the Egyptians and the Romans anointed themselves with aromatic oils, it was the French who raised what was simply a pleasant indulgence into an art. And for more than 800 years France has been the creative center for what is one of the most romantic, mysterious — and profitable — industries in the world.

Internationally, in the fragrance

Whether the name on the bottle is Italian, American, French or Japanese, 95 percent of the time the nose was French.

development business alone, sales amount to several billion dollars a year.

According to Jean-Jacques Baccier, founder and director of Société Cosmétique Recherche, France is responsible in one way or another, whether supplying ingredients, formulas, expertise or the finished product, for at least 70 percent of the world's fragrance trade. Furthermore, whether the name on the bottle is Italian, American, French or Japanese, 95 percent of the time the nose was French.

Total sales of beauty products in 1984, as reported by the Fédération Française de l'Industrie des Produits de Parfumerie, de Beauté et de Toilette, rose 19.2 percent over 1983, to 242 billion francs (\$26 billion), approximately 13 billion francs of which was in cosmetics. (Figures are unavailable for per-

fume sales in 1984, but sales in 1983 rose 15.7 percent over 1982 to slightly more than 3 billion francs.) As for 1985, the federation predicts a 5-percent increase in total sales as well as a modest increase in exportation over the record-breaking 9.7 billion francs. That is a 27-percent rise in export sales that dazzled the French cosmetics and fragrance industry in 1984.

All of the world's top five best-selling fragrances are French. Industry in which fantasy may be the most important ingredient, setting up a glamorous facade that results in impressive or little-known figures about ingredients, costs and mark-ups. Probably few consumers would be enamored with the notion that the synthetic and natural components in one popular perfume retailing for \$140 an ounce may be worth about \$3.

These types of statistics, however, do not typically reflect the motivation or the aversion of those in the business of developing fragrances. Instead, they tend to show what happens after formulas are purchased by the marketer, whoever that may be.

The scenario for such high-stakes deals could go something like this: A marketer calls a hatching at which the details of the perfume he or his client, say a designer, is looking for are explained (that is, a heavy floral with a top note of tuberose or woody, Oriental scent). Then the competition begins.

Perfumers, on speculation, set about concocting the formula that will ultimately fill the requisition of the marketer. The competition is so severe that some laboratories have been known to corner the market on various crucial essences to thwart the opposition. Finally, this mixture, which on average includes between 80 and 100 ingredients, both natural and synthetic, will be christened with an appropriate name, bottled, packaged, promoted and sold.

Still, this is a dicey business with more failures than great successes, and already the industry is noticing shifts in buying patterns. "Perfume



Liqueur flacons for a Nina Ricci perfume.

sales have experienced a steady decline over the last few years," Jean-Paul Guerlain, managing director of his family's company, said. "Women now are buying can de toilette and eau de cologne."

It used to be that women were loyal to one or perhaps two fragrances, but in the last decade many like the idea of change and seem eager to try a variety of different scents. A case in point, Coco, the house of Chanel's latest market entry, and barely a year old, is expected to break into the ranks of the world's top five best-sellers.

It should seem only logical in an industry predicated on an intangible promise, that those who buy the myth would be whimsical. In fact, everyone is banking it. A fickle consumer, after all, is the fantasy that keeps the perfume business alive and thriving.

Cahors: Gentrification of a Wine That Came From Nowhere

CAHORS — In 1971, when he was preparing the fifth edition of his "Wines of France," Alexis Lichine saw no need to mention the wine grown around this city, which is about 130 miles (210 kilometers) southeast of Bordeaux on the Lot River.

That same year, too, a mere 507 Cahors hectares (1,252 acres) were under grapevines and only 14,843 hectoliters (391,555 gallons) were produced. Still, Cahors was coming up in the world even then, since both the area of cultivation and output were up to 150 percent from a decade before.

In 1971, Cahors' growth really began, due to the region's winning the coveted *appellation contrôlée*. With the prestige of the new label, and some shrewd planning in vineyard, cellar and salesroom, the area under grapevines had risen five-fold, to 2,642 hectares last harvest. And despite a poor vintage quantity, output more than quadrupled, to 68,876 hectoliters.

Cahors growers, more successfully than most, combined shrewd marketing tactics with improvements in quality. The same pattern can be observed in other upgraded wine regions in France. (Côte de Rosillon or Madiran, both also in the southwestern part of the country) and it has important lessons for foreign wineries, particularly those of Spain and Portugal, which are going to be able to sell their output in the European Community. Cahors tells about the gentrification of sturdy southern wines.

Cahors has been the most successful of the new breed. "No other wine came from nothing and is doing as well," says Stephen Spurrier, one of France's leading English-language wine dealers. "Fifteen years ago it was virtually unknown."

About 40 percent of the Cahors growers are grouped into the Cotes d'Olt cooperative in Pénach, with

the largest cellars of the area. The cooperative worked to win the *appellation* and helped turn Cahors from a low-alcohol, high-tannin wine drunk occasionally as a curiosity, but used mainly to doctor defective Bordeaux wines, into one with its own image and following.

Between the cooperative and the government *appellation* rules, growers have switched production

The highly automated winery bottled 43 percent of all Cahors *Appellation d'Origine Contrôlée*. Batches for Queen Margrethe's Château de Caix and her husband's family Château Monpezat and other selected wines are produced in separate vats in the same 21st-century cellar.

Using a high-tech system, the vinification tanks can be used twice in the same vintage. The wine is aged in cement vats before being bottled in the distinctive black-labeled Bordeaux-shaped Cahors bottles. A new Cahors aimed at the U.S. market has no label at all, with the necessary information printed directly on the bottle. The Pénach cooperative reports a small profit, but in the 1983-84 vintage year that ended August 31, it paid nearly 25 million francs for grapes. Payments were linked to quality of the wine produced, as well as to quantity.

The cooperative has been a ma-

for force for selling Cahors as well as making it.

The president of the Cotes d'Olt cooperative, Dominique Cavalier, expects 1985 sales to reach record levels. "With export aid, we are aiming at the U.S. market," he said. "It is a commercial gamble."

If sales meet the target, however, the Coface loan becomes a grant. Salesmen outside France, just over 6 percent now — apart from the Danish link — are funded by loans from Coface, the French export-insurance group.

This year, the cooperative is doing better than before, in part because of poor harvests that have enabled it to sell off its stock (also paid for with low-interest money). Sales in the first half of the 1984-85 vintage year (up to February) are running 84 percent ahead.

The cooperative approach is not the only one being taken in Cahors, and a leading grower, Georges Vigouroux, has gone strictly capitalist. Because of French land-use laws, Mr. Vigouroux was unable to buy a large tract of vineyard in the fertile valley (neighboring farmers get priority when land is sold by the local reallocation company.) So he bought a 60-hectare barren stony hill called Château de Haute Serre, a site partly converted to housing by a Dutch firm, covered with scrub and oak forest.

With stone-crushing machines

and dynamite, Mr. Vigouroux's men cleared the site, leaving a gravelly surface that had to be disinfected against root rot. Then holes were dug and vines were planted — not from shoots but from little nursery pots, so the vines could bear grapes two years sooner. In 1976, after five years of effort, the Château de Haute Serre produced its first *appellation contrôlée* vintage. Since then, Mr. Vigouroux has added 20 more hectares to his vineyard.

Mr. Vigouroux has broken with the cooperative in method as well as ownership, since he does not strip the grapes from the stem before vinification every year. Then, too, every batch of wine is aged in the barrel for at least six months and up to three years — a barrel made out of oak staves with a very traditional look, so the tannins move between the wood and the wine. And the wine vats are used only once each vintage.

Yet, in marketing above all, the cooperative and the private entrepreneur agree. Although French supermarkets sell 60 percent of most wines, the figure for Cahors is more like 40 percent. About 20 percent is sold directly (at 20.50 to 37 francs a bottle from Mr. Vigouroux), about 10 percent through wholesalers, and the remaining 30 percent through restaurants.

— VIVIAN LEWIS

Cahors growers, more successfully than most, combined shrewd marketing tactics with improvements in quality. The same pattern can be observed in other upgraded wine regions in France.

to a restricted set of grape varieties, 70 percent from a type called Cot. They have had to learn to prune sharply to cut output, changing from the traditional southern "cane" form for vines to the Guyot system. Guyot pruning leaves only one long and two short stems and requires that fields be expensively staked and wired. Luckily, state subsidies, often administered by the cooperative bank, Crédit Agricole, help farmers pay for the cost of the switch, with low interest on 10-year loans.

Help was available to the cooperative, too, for installing a modern winery — at low interest for up to 15 years. At the Pénach winery, the vats are connected to a computer to enable vinification to go on at very high temperatures without spoiling the yeast — if things get too hot, the computer sends cooling water round the vats. The must is stirred automatically and when vinification is done, a hosepipe takes off the liquid. The must clumps directly into a system of rail carriages under the vats.

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EUROBONDS

After Fed Move on Rates, What's Ahead for Market?

By CARL GEWIRTZ

International Herald Tribune

PARIS — Weeks of nail biting about if and when the Federal Reserve would cut its discount rate ended last week. Late Friday, the Fed lopped half a point off the rate, putting it at 7 1/2 percent, thus confirming its willingness to maneuver interest costs down. The news triggered a rush of late buying in the New York bond market, pushing prices up and yields down.

Trading was thin as the market had virtually closed by the time the news was flashed. Nevertheless, yields on three-month Treasury bills shed 15 basis points, or hundredths of a percent, six-month bills were down 10 basis points, and one-year paper declined 13 basis points.

The yield on the Treasury's well-known 30-year bond dropped below 11 percent, confirming that a major rally in the bond market was under way.

Let's markets miss the double-barreled aim of the Fed — to stimulate a flagging U.S. economy as well as to nudge the value of the dollar lower — the Fed announced that "the action was taken against the background of relatively unchanged output for some time in the industrial sector of the economy, stemming heavily from rising imports and a strong dollar."

The foreign-exchange markets got the message. The dollar, which had traded at a high of 3.60 to the Deutsche mark in New York on Friday, ended at 3.0510. The fall against the Swiss franc was from a daily high of 2.5980 to 2.5635 at the close; against the French franc, from 9.4275 to 9.32, and against the yen, from 251.50 to 250.40. The dollar also weakened against the British pound, which went from a low of \$1.2605 to \$1.2710.

The big question for the foreign-exchange market now is whether foreign central banks will use this occasion to reduce their own interest rates to more or less maintain the existing interest-rate differentials against the dollar or whether, by holding rates steady, the differential will be allowed to narrow.

MAINTEINING the differential (with short-term dollar rates about 3 percentage points higher than those on DM or Swiss francs, and 2 to 4 points lower than French franc or sterling rates, respectively) presumably would neutralize the impact on foreign-exchange markets.

West Germany, for example, which already enjoys a very low rate of inflation, presumably would be tempted to lower interest rates to stimulate sluggish economic growth. In contrast, a strengthened exchange rate against the dollar could be used by the French and British to dent their inflation rates.

For the dollar sector of the Eurobond market, the big question is: "Where to from here?"

Does the rate cut simply justify the existing yield levels which were set in anticipation of the Fed's move, or is there reason to anticipate further substantial declines in coupons? Already over the weekend analysts were asking: If the declines in interest rates and the dollar's exchange rate succeed in reviving the U.S. economy, and possibly the pace of inflation, won't the next move by the Fed be to tighten policy?

The answer to the latter question ultimately depends on how meaningful a cut Congress makes in the federal budget deficit.

Meanwhile, in the immediate aftermath of the Fed move some analysts expect to see an effort made to drive coupons to single digits on five-year paper. Since 1979, there have been four efforts to achieve that goal and each aborted, leaving holders with big losses.

Investment bankers report there is a tremendous volume of corporate financing waiting to be done when the five-year rate drops to 10 percent, and they fear that clients' pressure for the lowest possible rate and banks' competition to win business will see an early testing of the single-digit level.

With the outlook on interest and exchange rates so uncertain, one issue launched last week was structured in a way to appeal both to dollar investors anticipating a decline in interest rates and to Europeans expecting a drop in the dollar. This was the \$450-million, zero-coupon, partially-paid issue for American Express Co.

American Express is raising \$600 million to finance lease payments on its new New York headquarters.

The zero-coupon issue will raise \$84.895 million as the 15-year bonds are being offered at 18.8656 percent of face value — meaning an investor is asked to pay \$188.656 to buy a security

(Continued on Page 15, Col. 1)

Eurasbank Net Fell to Zero in '84

140 Million DM Set Aside for Risk

Reuters

HAMBURG — European Asian Bank AG, the consortium bank that ran into problems with Far East loans last year, had to use full 1984 operating profit of just under 140 million Deutsche marks (about \$46 million) for risk provisions, a spokesman for the management board said Sunday.

The spokesman, Hans Henning Offen, said the four banks that own Eurasbank had to guarantee a further sum of loans against possible losses. He declined to be more specific. However, banking sources said the four shareholders put up about 260 million DM.

Deutsche Bank AG owns 60 percent of Eurasbank; Creditanstalt-Bankverein, 22 percent, and Amsterdam Rotterdam Bank NV and Société Générale de Banque SA, 9 percent each.

Mr. Offen, speaking at a news conference, said Eurasbank declared net profit of zero for 1984, after a profit of 20 million DM in 1983. The operating profit was 5 percent above the 1983 level.

He would not be specific about the need for further risk provisions for 1985, but said operating profits in the first quarter were slightly higher than in the period a year ago. For the full year of 1985, however, Mr. Offen said he expected about the same level of operating earnings as in 1984.

Mr. Offen was brought in from Deutsche Bank's Lübeck subsidiary after the disclosure of large potential loan losses in March of this year. The main problem areas had been Taiwan and Singapore.

At the time, Deutsche Bank stressed that Eurasbank was not writing off losses already incurred, but needed to make adjustments for possible loan writeoffs in the future.

Mr. Offen said the bank had made false judgments on some credit decisions and in some cases had accepted financial statements from borrowers too readily.

The bank's end-1984 balance sheet total rose to 9.1 billion DM from 8.4 billion, he said.

Tough Calls for Paul Volcker's Fed

Discount Rate Cut May Signal Change in Focus

By Robert D. Hershey Jr.

New York Times Service

WASHINGTON — In the summer of 1983, even as Paul A. Volcker was accepting reappointment to a four-year term as chairman of the Federal Reserve, most observers figured there was little chance that he would remain on the job much longer.

Personal and financial pressures were expected to lure the 57-year-old chairman to a lucrative corporate post. He would leave, it was expected, with applause still ringing in his ears for having almost single-handedly rescued the country from double-digit inflation.

Instead, the Fed chairman has stayed on into the second Reagan administration at what admirers see as considerable risk to his reputation.

"He's done a rather magnificent job," said Irwin L. Kellner, chief economist for Manufacturers Hanover Trust Co. But now, he said, "it's a no-win situation" for the man often viewed as the second most influential American after the president.

The Fed always seems to be facing tough choices — indeed, its mandate is to conduct monetary policy to achieve the twin, and sometimes conflicting, goals of sustained growth and general price stability.

But this time the policy bind is particularly acute for the august institution on Constitution Avenue. The economy is weakening. Inflation is down, but not out. And, according to many analysts, unless interest rates drop significantly, the mature recovery that is now at the 30-month mark could come to a painful end.

That makes the Tuesday meeting of the Federal Open Market Committee, the Fed's most important policy-making arm, one of the most crucial in recent years. A sign of what is likely to result from the meeting came Friday in the Fed's announcement of a lowering of the discount rate — the rate at which the central bank itself lends



Fed Chairman Paul Volcker testifies before Congress.

money to financial institutions — to 7 1/2 percent from 8 percent.

After the deliberations Tuesday, the rate on federal funds can be expected to move down, from last week's levels of 7 7/8 percent to 8 percent, to match the discount rate and perhaps to fall somewhat below it. The funds rate, charged on overnight loans between banks, is the market rate over which the Fed exercises its closest control.

The FOMC, which meets about eight times a year, has an extraordinarily complex set of variables to weigh in charting policy for the weeks ahead. The economy's growth has slowed dramatically, to a rate of just 2.5 percent, since last summer, and some unsettling wage and other inflationary pressures have begun to emerge.

Prices still are rising at about 4 percent a year, but most analysts think inflation will be above 5 percent by the end of the year. This is the opposite of the hefty growth with declining inflation that the United States enjoyed in 1983 and 1984.

In its discount rate announcement Friday, however, the Fed suggested that it is more worried now about sluggishness in the flat industrial sector of the economy than about any risks to inflation that may be set in force by an easing of policy.

The new discount rate, which takes effect Monday, will be the lowest level in nearly seven years. The Fed said the reduction in the rate was "consistent with the declining trend in market interest rates over recent weeks."

Though the seven governors of the Federal Reserve Board made the discount rate decision, Tuesday's deliberation over what to do next also will include the presidents of five regional Federal Reserve banks. The decision before them about how far to go with the easing of monetary policy will be complex.

One reason is that there is an unusually wide diversity of opinion among government and private economists about the immediate economic outlook. The economy certainly has

(Continued on Page 15, Col. 5)

Dollar Accounts Ordered Frozen By Argentina

By Lydia Chavez

New York Times Service

BUENOS AIRES — Argentina's central bank, acting to plug a growing outflow of deposits from the nation's banks, has frozen all accounts in dollars and other foreign currencies for a period of 120 days.

The central bank order, issued at midnight Friday, said depositors would not be able to withdraw dollar funds or make new deposits for the 120-day period. A spokesman for the central bank said the decision would then be "analyzed again."

Heavy withdrawals began a week ago, after the government closed one of Argentina's largest private banks, Banco de Italia y Río de la Plata. The central bank closed the institution after deciding that its problems were too great to be overcome by further loans.

The decision to freeze dollar accounts was looked on by bankers as a positive move that would probably avert more bank failures. Financial sources, however, said the government's mishandling of the bank closure provoked the run on dollars and had thrown into doubt the completion of a \$4.2-billion loan from foreign banks.

The freeze on dollar accounts affects \$700 million to \$1 billion, according to banking sources.

Argentine and foreign companies are permitted to maintain uninsured dollar savings accounts and to receive their interest payments in dollars. In an effort to keep pace with inflation, Argentines buy dollars on the black market with pesos and deposit the dollars in their accounts. Inflation is running at a rate of 910 percent.

The immediate effect of freezing the accounts will be to give the government time to assess the financial situation of troubled banks without the pressure of trying to cover banks in need of dollars. The government has given those savers who have accounts coming due before 120 days the option of buying dollar-denominated bonds that can be sold on the open market.

"The action is in defense of savers and of the community as a

whole, whose normal functioning requires the permanence of a solid financial system," a government statement said.

The increase in dollar withdrawals began more than a month ago when the government announced several changes in the banking system.

"Maybe people began to think that if the central bank made those changes, it might also nationalize accounts," a banker said.

The withdrawals picked up in the last week after the government closed Banco de Italia, a bank with \$65 million to \$80 million in uninsured dollar deposits and \$250 million in foreign debt.

The government declined to specify how much money had been withdrawn from savings accounts that reached maturity during the last week. A banker said, "It is fair to say that every private Argentine local bank is losing 100 to 90 percent of its dollar deposits" as they come up for renewal.

The private banks, which hold 20 percent of the dollar deposits, are viewed as the most vulnerable because of the public perception that the government would do more to keep a state bank open. In the last two months, eight private banks have been closed, the Banco de Italia being the largest.

Bankers said the government's failure to clarify how it would handle Banco de Italia's dollar deposits created confusion, making depositors more likely to withdraw their money.

The absence of a government policy on Banco de Italia's foreign debt has also created concern among foreign creditors who are putting together a \$4.2-billion loan package. The loan is contingent on a new agreement with the International Monetary Fund.

Although the banks have raised most of the loan, bankers said that many smaller, regional U.S. banks are beginning to ask whether it makes sense to lend new money to a country when the state of its financial system is unclear.

Some Allied-Signal Units To Be Sold After Merger

Reuters

WASHINGTON — Allied Corp. and Signal Cos. probably will have to sell some of their businesses after they merge, Allied has told the Securities and Exchange Commission.

"It is possible that such divestitures could be significant," Allied said in the filing Friday. The merger will create an international technology giant that will be the 16th-largest U.S. industrial corporation.

Allied said that it expects to conduct a review of all Allied and Signal lines of business following completion of the proposed merger, to determine which are "likely to fit well" in the new company's future operations and which "are relatively more favorably positioned from a strategic point of view to achieve optimum growth objectives."

As part of the May 15 merger agreement, valued at \$4.5 billion to \$4.9 billion, Allied on Friday began a tender offer for up to 22 million Signal common shares, or about 20 percent of the total outstanding, for \$45 per share in cash.

Each of the remaining Signal shares would then be exchanged for a common share of a newly formed holding company to be named Allied Signal Inc.

Also as part of the agreement, Allied and Signal came to a "mutual understanding" that after the merger is completed, they will be-

gin an open market purchase program for Allied Signal common stock, Allied said.

Allied stock closed Friday at \$42.125, up \$1.125, on the New York Stock Exchange. Signal was up 37 1/2 cents, to \$40.875, after a heavy trading Thursday after an initial decline Wednesday.

Allied, based in Morristown, New Jersey, said that it and San Diego-based Signal will commit at least \$500 million in cash to the repurchase program.

Last week, the companies said that the merged company would have revenue of \$16.7 billion, earnings of \$775 million and assets of about \$15 billion, based on 1984 results. It was not known how any divestitures would affect those estimates.

Allied said that it will obtain the \$1 billion it needs to buy the 22 million Signal shares out of its general funds and from private placements of commercial paper with institutional investors.

The chemicals company said that it expects to pay 8 1/2 percent interest on the commercial paper.

The paper would be repaid with internally generated cash, coming principally from Allied's anticipated sale — for \$1.4 billion in cash plus \$300 million in stock — of 50 percent of its oil and gas segment, Union Texas Petroleum Holdings Inc.

Allied entered into a sale agreement for Union Texas in April.

Ecuador to Keep Oil Output Above Ceiling Set by OPEC

Reuters

QUITO, Ecuador — Ecuador will not reduce petroleum output even though its production is now 51 percent above the official OPEC quota of 183,000 barrels per day, the deputy minister for natural resources said.

The minister, Fernando Santos Alvarado, said Friday that production would continue at the current level. He spoke after Venezuela's Oil Minister, Arturo Hernandez Grisanti, visited President León Febres Cordero to press Ecuador to maintain OPEC production quotas.

Official figures show that Ecuador produced 276,545 barrels per day in March. It is the second-smallest producer in the 13-nation Organization of Petroleum Exporting Countries, ahead of only Gabon.

Mr. Hernandez Grisanti said that he told the president "of our opinion that we must make all the effort necessary to strengthen the unity of OPEC."

Mr. Santos Alvarado said that Ecuador hoped OPEC would "recognize our situation, especially as a marginal producer, and that we are going through a very difficult economic situation."

He said that adherence to the daily production quota, set by OPEC last October in the face of slack world demand, would cost Ecuador \$1.2 billion a year, a move he described as economic suicide.

Oswaldo Davila, the planning secretary, said last week that Ecuador expected growth this year of at least 7.7 percent in oil production, which provides 70 percent of the country's income.

Mr. Hernandez Grisanti said that production increases by non-OPEC countries such as Britain, Norway and the Soviet Union were checking the cartel's efforts to stabilize market prices.

The present situation in the oil market has shown worrying signs because prices have shown symptoms of falling in the last three or four weeks," he said.

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New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield	Terms
FLUATING RATE NOTES						
Alisco	\$70	1995	1/4	100	99.84	Over 6-month Libor. Noncallable. Fees 0.20%. Denominations \$10,000.
Kleinwort Benson Lonsdale	\$100	perpet	1/4	100	99.47	Over 6-month Libor. Callable at par in 1990. Fees 0.75%. Denominations \$10,000. Coupon payment dates Jan. and July.
National Westminster Bank	\$500	perpet	1/4	100	99.53	Over 6-month Libor. Callable at par in 1990. Fees 0.675%. Denominations \$10,000. Coupon payment dates Feb. and Aug.
National Westminster Bank	\$500	perpet	1/4	100	99.50	Over 6-month Libor. Callable at par in 1990. Fees 0.675%. Denominations \$10,000. Coupon payment dates Feb. and Aug.
Sweden	\$750	2000	3/16	100	99.72	Over 6-month Libor. Callable at par in 1988. Fees 0.30%. Denominations \$10,000.
Korea Exchange Bank	\$50	1995	1/4	100	—	Over 3-month Libor. Callable at par in 1990 and redeemable at par in 1990 and 1992. Fees 1.50%.
FIXED-COUPON						
American Express	\$151	2000	11 1/4	100	97.75	Callable at 102 in 1990. Selling fund to start in 1997 to produce a 14-yr average life. 30% paid on subscription and balance in Dec.
American Express	\$450	2000	zero	18.864	18.61	Yield 11.76%. Noncallable. Proceeds \$84.9 million. 23.8% paid on subscription and balance in Dec.
Australia	\$200	1995	11	100	99.63	Noncallable.
Australia	\$100	2000	11 1/4	100	99.63	Callable at 102 in 1995.
Bank of Tokyo	\$100	1995	11 1/4	101 1/4	100.00	Noncallable.
Citicorp	\$150	1995	11 1/4	100	—	Callable at par in 1990. Increased from \$100 million.
DFC Finance Overseas	\$100	1995	11	100	—	Noncallable.
General Motors Acceptance Corp.	\$200	1989	10 1/4	100	98.13	Noncallable.
Southern California Edison	\$100	1992	11	100 1/4	98.25	Callable at 101 in 1990.
Swedish Export Credit	\$500	1992	10	95	94.25	Noncallable. \$100 million issued now and balance reserved for a 5-yr life.
Tenneco	\$150	1995	10 1/4	100 1/4	98.38	Redeemable at par in 1990.
Chenier & Co.	DM 80	1995	7 1/4	100	100.00	Callable at 102 in 1991.
World Bank	DM 200	1991	7 1/4	99 1/4	99.13	Noncallable private placement.
BACOB Finance	ECU 28.5	1993	9 1/4	100	99.75	Noncallable.
Council of Europe Resettlement Fund	ECU 45	1992	9 1/4	99 1/4	99.63	Noncallable. Increased from 40 million ecus.
Council of Europe Resettlement Fund	ECU 30	1995	9 1/4	100	100.13	Noncallable. Increased from 20 million ecus.
Konsolidat Oskote Pankki	ECU 50	1992	9 1/4	100	99.13	Noncallable.
World Bank	ECU 50	1995	9 1/4	100	100.13	Callable at 101 in 1991.
Loblau Companies	CS 50	1992	11 1/4	100	98.00	Noncallable.
F Von Linschot Bankiers	DF 50	1990	7 1/4	99 1/4	—	Noncallable.
Australia & New Zealand Banking	Aus \$40	1992	13 1/4	100 1/4	—	Noncallable.
Rural Banking Finance Corp.	NZ \$25	1990	16 1/4	99 1/4	—	Noncallable.
Rhone Poulenc	FF 450	1991	11 1/4	100	98.75	Noncallable.
World Bank	DK 200	1992	11 1/4	100	100.75	Noncallable.
Scandinavian Airline Systems	NK 250	1993	10 1/4	100 1/4	—	Noncallable. Increased from 200 million norwegian kroner.
EQUITY-LINKED						
American General	\$300	2000	6 1/4	100	—	Redeemable at 110% in 1990 to yield 10.03%. Convertible at a 21.8% premium.
Canon	\$100	2000	3	100	—	Seniority. Callable at 104 in 1988. Convertible at 1,301 yen per share and at 250.90 yen per dollar.
Casio Computer	\$100	2000	open	100	98.50	Coupon indicated at 8 1/4%. Callable at 104 in 1988. Convertible at an expected 5% premium. Terms to be set May 20.
Ryobi	\$30	1990	open	100	99.00	Coupon indicated at 8 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 20% premium. Terms to be set May 20.

Euromarket in Aftermath of Rate Cut

(Continued from Page 13)
that will be redeemed for \$1,000 at maturity. This low purchase price is attractive to investors who see interest rates declining. For an actual cash outlay of \$1,000 — the normal cost to buy one bond — they can buy five American Express bonds and make big profits if rates do decline and the price of the bonds rises.

At the same time, purchasers are required to put up immediately only 23.85% percent of the price — or \$45 — and the remainder on Dec. 12. This means non-dollar investors can profit from any decline in the value of the dollar between now and mid-December.

The effective yield investors earn on the zero is about equal to what American Express is paying to raise \$151 million in a more classically structured 15-year bond bearing a coupon of 11 1/4 percent.

If the full purchase price of the zero were put up now, the yield over the 15 1/2 years to final maturity would be equivalent to 11.36 percent. If the full price were paid in December, the 15-year yield would be equal to 11.76 percent.

Although the 11 1/4% also are par-

tially paid — 30 percent cash outlay on subscription and the remainder in December — there was considerably less leverage than on the zero and this was reflected in the trading price. The 11 1/4% ended the week at a discount of 2 1/4 points while the zero traded at a modest premium.

Anticipation that rates were coming down was also reflected in the lengthening of maturities. Australia tapped the market for \$300 million, offering \$100 million of 15-year, 11 1/4-percent bonds and \$200 million of 10-year bonds bearing a coupon of 11 percent. Bank of Tokyo Ltd., Development Finance Corp. of New Zealand and Tenneco Inc. also tapped the 10-year market.

Until now, maturities of 10 years or longer have been rarities. Most dollar issues this year have been in the five-to-seven year range.

In the floating-rate market, National Westminster Bank PLC and Kleinwort, Benson Ltd. issued undated paper which, to be counted as primary capital, are effectively preferred shares rather than debt securities. The high coupons on these perennials relative to what

normal FRNs bear has made them extremely popular.

However, taking into account the lower standing of this paper — interest can be suspended if dividends are omitted or the capital wiped out if the banks are put into liquidation — Standard & Poor's has rated these perennials two degrees lower than the rating applied to unsubordinated debt. This came as shock to the market when it was announced that the perpetual for Midland Bank PLC — the weakest of the clearing banks — was awarded a triple-B rating, the lowest for paper considered to be of investment grade.

National Westminster split its \$1-billion offering in two parts which are identical except for semi-annual interest payment dates — January-July and February-August.

NatWest, taking advantage of the great demand, set its coupon at 1/4-point over the average of the bid-offered interbank rates whereas all the other British banks have used the offered rate. The switch means a 1/16-point cut in interest as normally there is a 1/4-point split between the two rates.

Kleinwort's \$100-million offering was less well received despite its carrying the highest coupon of any British perpetual yet — 1/4-point over Libor. Many investors complained that a merchant bank is too big a risk for a perpetual and the size of the issue too small to assure continual liquidity.

For the most part, non-dollar investors shunned new purchases of dollar securities. The favored investment vehicle is the European Currency Unit. Interest on ECU bonds is almost 2 percentage points higher than on Deutsche mark paper and 1 1/2-points higher than on guilders securities. Investors consider that the interest differential adequately compensates for the risk of a currency realignment within the European Monetary System which would see the ECU devalued against the mark and guilder.

The DM sector scored a first last week with international banks invited to syndicate a domestic issue of 80 million DM for Chenier & Co., a unit of the federal railway. This was the first foreign participation in the domestic market.

During the same period, the yield on the Treasury's bellwether issue, the 11 1/4-percent 30-year bond, has declined from 11.46 percent to 10.91 percent.

On Friday, quality concerns arising from the Maryland savings and loan crisis and a trading halt in the mortgage-backed securities market contributed to a dramatic decline of 21 to 45 basis points in Treasury bill yields.

In the corporate market, new issue yield levels were 25-38 basis points lower. The \$2.4 billion of new corporate bonds that came to market sold well and many were quoted at premiums in early secondary trading.

(NYT, UPI)

Commercial Paper Issue Set by Canada Trade Agency

By Carl Gewirtz
International Herald Tribune

PARIS — The Eurobond market took a major step last week in its development toward becoming a commercial-paper market when Export Development Corp. of Canada announced plans to issue for an unspecified period an unlimited amount of short-term paper.

Eurobonds are basically medium-term bank loans broken into short-term securities, those of one month

SYNDICATED LOANS

or more, that the underwriting banks continually try to sell to investors. If buyers are not found, the banks underwriting the facility are obliged to provide funds to the issuer.

Commercial paper, little-known in Europe but a very major source of funding in North America, is an equally short-term negotiable IOU that banks try to place with investors. But the banks are under no obligation to take the paper if buyers are not found. In this case, the issuer must have a proven capacity, through undrawn lines of credit from banks or its own cash stream, to redeem maturing paper if it cannot be rolled over.

What distinguishes the EDC program from the previous Euro-commercial paper projects of Norsk Hydro and St. Gobain is the open-ended amount it will seek and the undefined expiry date of the program. All that is known is that EDC will regularly be testing the market for conditions on the issuance of paper carrying a maximum maturity of one year. Presumably the cost of funds will have to be comparable with New York, where EDC already has some \$1 billion in outstanding commercial paper.

Another distinguishing feature is that the EDC paper will be offered bearing a rate of interest that the borrower and its placing agents — Credit Suisse First Boston Ltd. and Swiss Bank Corp. — deem appropriate. By contrast, the interest on Eurobonds is set in relation to the London interbank rate.

Like the earlier European commercial paper programs and most Eurobond facilities, there is no tender panel of competing banks bidding for paper to resell, but rather two dealers who determine an appropriate rate then try to market the paper.

Investment bankers believe that this method of marketing is the wave of the future. They believe that the Bank of England's measures forcing commercial banks to take account of underwriting commitments and the expressed concern by other central banks about these off-balance-sheet commitments of banks will lead to a total separation of the marketing of short-term paper from the back-up lines of credit provided by commercial banks.

That separation should result in more realistic pricing on the credit lines, investment bankers say. Post-och Kreditbanken of Sweden also announced plans to issue up to \$250 million of Eurocommercial paper through Citicorp, Merrill Lynch & Co. and PK Christiansia Bank. The three will act as dealers, providing PKbanken with bids on paper with maturities ranging from one week to 12 months.

In the Eurobond market, Borden Inc., the U.S. food-products company, is seeking a \$175-million, five-year facility that can be extended annually provided all the underwriters are agreed. Banks providing the back-up credit will receive an annual fee of 10 basis points and are obliged to provide funds, if notes cannot be sold at a lower cost, at a maximum rate of interest of 20 basis points over Libor.

Avon Products Inc., the U.S. cosmetics maker and distributor, has completed a \$130-million, eight-year note facility paying underwriters an annual fee of 12.5 basis points. Drawings from the banks will cost the company 1/4-point over Libor.

Republic New York Corp., the holding company of Republic National Bank of New York, is seeking a \$100-million, five-year note facility. It will pay underwriters an annual fee of 7.5 basis points; drawings from the banks will cost 1/4-point over Libor for as much as \$33.3 million and 1/4-point over Libor for more than that.

Cigna Corp., the U.S. insurance company, is raising \$300 million in a three-year facility for which it will pay underwriters an annual 10 basis points. Drawings from the banks will cost it 10 basis points over Libor for as much as half the amount and 20 basis points for more.

The continued appeal of such facilities was best demonstrated last week by the increase in Deere & Co.'s facility to \$1.3 billion from the initially indicated \$600 million. This now ranks as the largest facility yet arranged, topping the \$1.2 billion put together for Beatrice Cos. Deere is paying an annual underwriting fee of 15 basis points for the first three years, 17.5 for the final two years. Maximum interest on the notes is set at 22.5 basis points over Libor.

In Asia, Thai Farmers Bank Ltd. in Bangkok has asked banks to submit bids for terms on a \$50-million, five-year Eurobond facility.

In the syndicated credit market, banks advised Electricite de France that it could increase its 10-year multipurpose standby facility to \$900 million from the \$400 million initially sought.

Tough Calls for the Fed

(Continued from Page 13)

slowed from the remarkable 8.5-percent rate of expansion in the first half of 1984 and there is much evidence from industrial production, unemployment and productivity figures to support those who think it is fast running out of steam.

"You're going to get some miserable statistics for the month of April," asserted John C. Maher, vice president of Citicorp Information Services. "We're a bit concerned."

But others, pointing to such encouraging figures as strong housing starts, soaring automobile sales and continued hefty military orders, argue that the economy is doing considerably better than the meager 1.3-percent reported rate of first-quarter growth would suggest.

Complicating the assessment of future policy is the increasing importance of the highly volatile foreign trade sector. Imports, for example, jumped \$9.6 billion in the first three months of 1985, after falling \$13.9 billion in the fourth quarter of last year.

And any calculation of the appropriate monetary policy must consider the gyrating — but still high — international value of the dollar, the major source of the import surge.

The rapid American recovery, high interest rates and the favorable overall investment climate in the United States have attracted huge sums of foreign capital that have been a boon to the Treasury's financing efforts. And Mr. Volcker has predicted the inflow, which is equal to about half the federal budget deficit, will increase in 1985.

So while the Fed would like to see the dollar decline further to benefit U.S. agricultural and other exporters and preserve manufacturing jobs being lost to the tide of imports, it also knows that a severe decline could add substantially to inflation and interest rates.

The dollar problem, in fact, is so serious that Stephen Morris, an analyst with the Institute for International Economics, has concluded that there is no way for U.S. policymakers to avoid an economic "hard landing." He argued last week that without major, and he believes unlikely, policy changes by both the United States and its allies, the basic disequilibrium of the dollar will cause it to plummet by more than 40 percent over the next few years, to a level beneath its 1980 low.

This would result in a financial-market crunch, raising interest rates five points above what they otherwise would have been.

Mr. Volcker, assuming he is still on the job, would at this point face an impossible choice. If the Fed sticks to its monetary targets, the high rates would push the economy into what would be its first postwar recession generated by external pressures and risk a world financial crisis.

But if the Fed eased policy to try to restrain rates, the bond and currency markets would panic about inflation, creating a spiral of eroding confidence.

Norman Robertson, an economist at the Mellon Bank, said that this bleak view already has won considerable support in Europe, where many believe that things have already gotten so far out of hand that the only possible outcome is either recession or resurgent inflation.

The Fed, at least for now, does appear to have one precious bit of maneuvering room. Despite some mildly disquieting early signs of upward pressure on wages and some presumably temporary oil-price increases, inflation remains subdued, which enables the Fed to relax its monetary grip a bit.

These, then, are among the issues that the 12 voting members of the FOMC will be weighing when they gather Tuesday in their cavernous board room.

Treasury Bills

Date	Bid	Ask	Yld
1-26	7.38	7.40	7.40
2-26	7.38	7.40	7.40
3-26	7.38	7.40	7.40
4-26	7.38	7.40	7.40
5-26	7.38	7.40	7.40
6-26	7.38	7.40	7.40
7-26	7.38	7.40	7.40
8-26	7.38	7.40	7.40
9-26	7.38	7.40	7.40
10-26	7.38	7.40	7.40
11-26	7.38	7.40	7.40
12-26	7.38	7.40	7.40
1-26	7.38	7.40	7.40
2-26	7.38	7.40	7.40
3-26	7.38	7.40	7.40
4-26	7.38	7.40	7.40
5-26	7.38	7.40	7.40
6-26	7.38	7.40	7.40
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8-26	7.38	7.40	7.40
9-26	7.38	7.40	7.40
10-26	7.38	7.40	7.40
11-26	7.38	7.40	7.40
12-26	7.38	7.40	7.40
1-26	7.38	7.40	7.40
2-26	7.38	7.40	7.40
3-26	7.38	7.40	7.40
4-26	7.38	7.40	7.40
5-26	7.38	7.40	7.40
6-26	7.38	7.40	7.40
7-26	7.38	7.40	7.40
8-26	7.38	7.40	7.40
9-26	7.38	7.40	7.40
10-26	7.38	7.40	7.40
11-26	7.38	7.40	7.40
12-26	7.38	7.40	7.40

Source: Federal Reserve Bank.

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U.S. \$75,000,000 Eurobond Floating Rate Notes 1986
Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from 20th May, 1985 to 20th November, 1985 the Notes will carry an interest rate of 8 1/4% per annum. On 20th November, 1985 interest of U.S. \$ will be due per U.S. \$5,000 Note for Coupon No. . . .
European Banking Company Limited
(Agent Bank)
20th May, 1985

CO-OPERATIVE BANK P.L.C.

US \$25,000,000

Floating Rate Capital Notes 1986

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from May 20, 1985 to November 20, 1985 the Notes will bear an interest rate of 8 1/4% per annum with a coupon amount of US \$45.04

London & Continental Bankers Limited
Agent Bank

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

NEW ISSUE

May 16, 1985

650,000 Shares

Multibank Financial Corp.



Common Stock

Par Value \$6.25 Per Share

Price: \$23 Per Share

Copies of the Prospectus may be obtained from the undersigned only in States where the undersigned may legally offer these securities in compliance with the securities laws thereof.

KEEFE, BRUYETTE & WOODS, INC.

Republic Holding S.A., Luxembourg

(formerly Trade Development Bank Holding S.A.)

Republic Holding S.A. announced that it proposes to distribute to its shareholders the net assets of the Company, including its shares of Republic New York Corporation ("RNYC"), the parent of Republic National Bank of New York. The 9,355,846 shares of RNYC owned by Republic Holding represent 54.4 percent of the RNYC common shares outstanding, and the distribution will be on the basis of approximately 56 RNYC shares for each 100 shares of Republic Holding.

The Board of Directors of Republic Holding intends to take the necessary corporate action to effect the proposal at the earliest practical date, which is anticipated to be in late summer 1985.

Edmond J. Safra, Chairman and majority shareholder of Republic Holding, said: "I am in favor of the proposal. Now that Republic Holding has no significant investment other than RNYC, the distribution of all the assets of Republic Holding is a logical step in the simplification of corporate structure. It is my present intent not to sell any of the shares of RNYC that I receive, directly or indirectly."

Republic Holding S.A. is listed on the Stock Exchange in London and the Luxembourg Stock Exchange. RNYC is listed on the New York Stock Exchange and the Stock Exchange in London.

Yields on Long-Term Issues Expected to Continue Falling

Compiled by Our Staff From Dispatches
NEW YORK — Interest rates, which have been trending downward for some months, are likely to fall even further after Friday's move by the Federal Reserve to lower the discount rate by half a point, to 7.5 percent.

The cut was followed by announcements from Citibank and

U.S. CREDIT MARKETS

Chase Manhattan that effective Monday they would pare their prime lending rate by half a point, to 10 percent.

Analysts said the Federal Open Market Committee, at its meeting Tuesday, would be likely to set a target for the federal funds rate at about 7 1/4 percent. This rate had been in a narrow range of between 6 percent and 7 1/4 percent.

With no heavy supply of new government issues to contend with, most market participants said they expected yields on longer-term issues to fall further in the next few weeks. The outlook for short-term rates is cloudier, they added.

"The trading range for the long

Sales in	Net
100% value added	Exports

Chicago Exchange Options

For the Week Ending May 17, 1985

For the Week Ending May 17, 1985[illegible]

was down in this edition because of computer problems. Inflation in all of 1984 was 8.2 percent.

SPORTS

Tank's Prospect Takes Preakness

Sets Track Mark in Edging Favorite

Compiled by Our Staff From Dispatches
BALTIMORE — Tank's Prospect, who moved to soon in the Kentucky Derby two weeks ago and faded to finish seventh, moved at just the right moment Saturday, snatching victory from Chief's Crown at the wire to win the 110th Preakness Stakes by a head in the track-record time of 1:53 2/5 for a mile and three-sixteenths.

Chief's Crown, the even-money favorite, had appeared to be a certain winner nearing the wire, 2 1/2 lengths in front of Eternal Prince. I Am the Game was fourth, another three lengths back.

The order of finish was completed by Caltas Reality, Tajawa, Southern Sultan, Sparrowson, Skip Trial, Sport Jet, and Haggi's Treasure, who pulled up early in the race.

Haggi's Treasure suffered an injury to his right front leg. His handlers said he was shipped to a veterinary center in Pennsylvania for treatment.

Another early incident delayed Tank's Prospect. Pat Day, the jockey, said his left foot came out of the stirrup early in the race when he was bumped by I Am the Game.

"It took me another sixteenth of a mile to get it back in," he said. "We were a little farther back than I liked, but he made it up. I wasn't sure I could catch him but, at the eighth pole, I felt better. Every jump I was closing ground on Chief's Crown."

Day, who whipped Tank's Prospect left-handed through the stretch, said, "I used the stick a lot" but added that the trainer, D. Wayne Lukas, had told him to ride

him hard. He said this horse can take some abuse when he's ready.

"I heard it was a two-horse match race," said Lukas, who sent out Cadez to win this race in 1980. "This is as good as any horse in America right now. He was second in the Breeders Cup and he was awesome in the Arkansas Derby."

Tank's Prospect paid \$11.40 for \$2 to win as the third choice in a field of 11 three-year-olds. The purse was a Preakness record of \$545,700.

Tank's Prospect, the son of Mr. Prospector and the Pretense mare Pumpkin Moonshine, was bought as a yearling for \$625,000 by Eugene V. Klein.

The Preakness track was much slower Saturday than a year ago, when Cadez won one-fifth of a second slower to set the previous mark, suggesting that this was an exceptionally good race for both of the first two finishers.

Last Nov. 10 in the Breeders' Cup Juvenile, Tank's Prospect fell three-quarters of a length short of catching Chief's Crown at a one-mile distance, and that race stamped them as the two best colts of their age. They may have regained that distinction Saturday, despite the absence of Spend a Buck, the Kentucky Derby winner.

Spend a Buck was held out of the Preakness in favor of the May 27 Jersey Derby at Garden State Park. A victory in that race would bring him a \$2.6-million payday.

Both Klein and Lukas said the Jersey Derby may also be on Tank's Prospect's schedule, as is the Belmont Stakes on June 8, the final leg of the Triple Crown.



Tank's Prospect and jockey Pat Day headed for the winner's circle after beating Chief's Crown in record time of 1:53 2/5.

In New York Saturday, Life's Magic, last year's U.S. filly champion, and another horse owned by Klein and trained by Lukas, scored her first 1985 victory, beating Heatherbent by two lengths to win the \$172,000 Shuvee Handicap

for fillies and mares at Belmont Park.

The 4-year-old, who had just two third-place finishes to show for her four starts this year, carried jockey Jorge Velasquez over the 1 1/16 miles in 1:42 2/5 on the fast track. Some For All was third, 8 1/2 lengths back.

Meanwhile, at Hollywood Park in Inglewood, California, Gato Del Sol, winner of the 1982 Kentucky Derby, scored his first victory in two years Saturday when he raced to a two-length triumph in the \$68,600 Chaballero Handicap on the 1 1/8-mile grass track.

The 6-year-old son of Cougar was ninth in the field of 11 coming around the final turn, where jockey Laffit Pincay Jr. took him to the outside and he responded to overhaul Talakeno midway down the stretch.

Cyaduis, defending champion in the Caballero, finished third. (NYT, AP, UPI)

Tennis

Italian Open
Miloslav Meir, Czechoslovakia (7), def. Moa Wiliander (1), 6-4, 6-4.
Yannick Noah, France (1), def. Boris Becker, West Germany, 6-3, 6-3.
Noah def. Meir, 6-3, 6-4, 7-6 (7-4).

Women's Open
Chris Evert-Lloyd, U.S., def. Lisa Bonder, U.S., 6-4, 6-2.
Korvy Riedel, U.S., def. Catarina Lindqvist, Sweden, 6-3, 6-3.
Bettina Bunge, West Germany, def. Claudia Kohde-Kilsch, West Germany, 7-6, 7-6.
Sherry Grot, West Germany, def. Kathy Harvo, U.S., 6-4, 6-3.

Soccer
WORLD CUP QUALIFYING
EUROPEAN GROUP 1
Greece 1, Poland 4.
Poland 2, Belgium 7; Poland 2, Albania, Greece 3.
Rumeliote Matches: May 20, Albania vs. Poland; May 21, Poland vs. Belgium; Oct. 16, Albania vs. Greece.

ASIAN GROUP 3-A
South Korea 2, Malaysia 0.
Philippine Standings: South Korea 6; Malaysia 5; Nepal 1.
ASIAN GROUP 4-A
China 1, Hong Kong 3.
Philippine Standings: Hong Kong 1; China 0; Macao 4; Brunei 0.

ASIAN GROUP 4-B
Japan 1, South Korea 2.
Singapore 1, North Korea 2.
Rumeliote Match: May 25, (Pyeongyang) North Korea vs. Singapore.

ENGLISH FIRST DIVISION
Liverpool 1, West Ham 1.
Sheff. Wed. 1, Coventry 1.
Tottenham 1, Nottingham Forest 0.
ITALIAN FIRST DIVISION
Cento 1, AC Milan 0.
Cremone 2, Udinese 0.
Inter 1, Ascoli 1.
Lazio 3, Juventus 1.
Napoli 1, Fiorentina 0.
Sampdoria 3, Atalanta 0.
Torino 1, Roma 0.
Verona 4, Avellino 2.

FINLAND FIRST DIVISION
Helsingfors 1, FC Korpenskoru 1.
Vogara 3, VIL Bodorn 1.
Schke 2, Fortuna Dusseldorf 1.
Leyreth 2, Leverkusen 1.
Borussia Mönchengladbach 3, Stuttgart 1.
Waldhof Mannheim 5, Hamburg 1.
Arlberg 1, Eintracht Braunschweig 2.
Bayer Uerdingen 5, Karlsruhe 3.

WEST GERMANY FIRST DIVISION
Werder Bremen 1, FC Korpenskoru 1.
Vogara 3, VIL Bodorn 1.
Schke 2, Fortuna Dusseldorf 1.
Leyreth 2, Leverkusen 1.
Borussia Mönchengladbach 3, Stuttgart 1.
Waldhof Mannheim 5, Hamburg 1.
Arlberg 1, Eintracht Braunschweig 2.
Bayer Uerdingen 5, Karlsruhe 3.

Transition
BASEBALL
American League
CHICAGO—Placed Jiffy Cruz, second baseman, on the 15-day disabled list. Infielder, called up Bryan Lipe, infielder, from Buffalo of the American Association.
MINNESOTA—Purchased the contract of Frank Eubanks, pitcher, from Toledo of the International League.

TEXAS—Placed Tommy Dunbar, outfielder, on the 15-day disabled list. Called up DeDe McCoskey, outfielder, from Oklahoma City of the American Association.

Montreal
Bourgeois—Reassigned Steve Hossa, catcher, and called up utility player Razer Shines to their Triple-A team in Indianapolis of the American Association.

Midwest Football League
BUFFALO—Signed Derrick Burroughs, cornerback, to a series of one-year contracts.
CINCINNATI—Reassigned Roy Griffin, cornerback, and Rich Rozzono and Brian Philmore, linebackers.
NEW ORLEANS—Signed Dave Warner, cornerback, to a one-year contract.
PHILADELPHIA—Placed Darren Daulton, catcher, on the 15-day disabled list. Released Rocky Childress, pitcher, from Portland of the Pacific Coast League.
PITTSBURGH—Placed Larry McWilliams, pitcher, on the 15-day disabled list. Activated Tim Foll, shortstop.

Celtics Go to 3-0 Against 76ers, Jabbar Goes to Work on Nuggets

Compiled by Our Staff From Dispatches

PHILADELPHIA — Larry Bird scored 26 points as the Boston Celtics, taking the lead for good at the halftime buzzer, defeated the Philadelphia 76ers, 105-94, Saturday to take a 3-0 lead in their best-of-seven National Basketball Association semifinal playoff.

No team in NBA history has won a best-of-seven playoff series after trailing by 3-0.

Friday night in Denver, the Los Angeles Lakers beat the Nuggets, 136-118, for a 2-1 lead in the Western Conference semifinal.

The Celtics beat the 76ers in Philadelphia for only the sixth time in 27 games since Bird joined the team for the 1979-80 season. Teammate Danny Ainge scored 17 points and handed out seven assists, while Robert Parish and Kevin McHale each had 14 points and Parish 13 rebounds for the defending NBA champion Celtics.

Boston had a chance to sweep the Eastern Conference series in Philadelphia on Sunday.

The 76ers got only five points from Julius Erving, who was guarded by Bird and made only one of 10 field goal attempts. Andrew Toney led Philadelphia with 26 points and had five assists. Rookie Charles Barkley scored 23, while Moses Malone had 18 points and a game-high 16 rebounds.

"We played good defense throughout the game," said Bird, who made 11-of-19 shots, got seven rebounds, handed out five assists and made four of the Celtics' 17 steals. "Our defense was really strong and at times took them out of the game."

Boston Coach K.C. Jones said: "This is a time for me to smile. We couldn't win down here during the regular season and knew they were going to be very aggressive in their own building."

Each team won all six of its regular-season home games.

"I thought when Bird picked up his fourth foul we were going to run into some trouble," Jones said. "But Scott Wedman came in and gave us a big lift."

Bird got his third and fourth personal fouls within four seconds late in the third period with the Celtics ahead, 69-64. He was lifted but came back early in the fourth quarter and scored 10 more points.

"I think K.C. was ready to take me out for a rest anyway," Bird said. "If the game had been on the line, he would have left me in, but Wedman came in and did a great job."

Erving said he was "not happy about losing and I'm not happy about not playing well. It just was a case where things didn't seem to go my way."

"I haven't been in this position before but I know we can rise to the occasion," he said. The 76ers have never been swept in a playoff series since they came here in 1963.

Philadelphia led, 28-20, after the first quarter but trailed by 48-47 at halftime and by 79-74 starting the final 12 minutes. Boston then built its lead to 102-90 with a little over a minute to play.

Friday night in Denver everything went as expected when Karl-



Maurice Cheeks of 76ers found his path blocked by Larry Bird (left) and Kevin McHale.

en Abdul-Jabbar met the Denver Nuggets and their fans. There were derogatory banners hanging from the balcony, boos when he was introduced and boos whenever he touched the ball in the first half.

But by the second half, when the Lakers' lead had swelled beyond 20 points, any animosity caused by Abdul-Jabbar's publicized wrestling match Tuesday with Denver's Danny Schayes had dissolved into indifference.

In a typically steady performance, Abdul-Jabbar made 11 of 17 shots for 27 points.

Afterward, following a few preliminary questions, Abdul-Jabbar was asked if the negative reaction from the sellout crowd had made him more determined.

"What reaction?" he replied, clearly pretending to be surprised.

"Were they booing me? Geez, I didn't notice."

Apparently, referees Hugh Evans and John Vanak were more aware of the action taking place in the low posts. They called 19 fouls in the first quarter.

When the Nuggets brought in physical center Wayne Cooper midway through the first quarter, he was called for two fouls in less than a minute. Both were for shoving or leaning on Abdul-Jabbar.

After that, Abdul-Jabbar only received occasional bumps.

"They are going to play as physical as the referees 'will let them,'" he said. "Tonight, they couldn't get away with any extraneous bumping. It wasn't very physical."

He scored 15 points in the first half and routed the Nuggets with a 10-point third quarter. (AP, LAT)

United Foils Everton On Goal in Overtime

Compiled by Our Staff From Dispatches
WEMBLEY, England — Manchester United, down to 10 men for the last 40 minutes, scored a dramatic 1-0 soccer victory over Everton in overtime Saturday and won the English F.A. Cup.

After 111 minutes of an evenly played final, Norman Whiteside, a Northern Ireland international player, broke the tie with an excellent curling shot into the corner of the net. The shot, from the penalty area, eluded Everton's sprawling goalkeeper, Neville Southall, who had been selected as England's player of the year.

United's victory prevented Everton becoming the first English team to win three major trophies in the same season. Everton already won the English League title and the European Cup Winners' Cup.

The 104th F.A. Cup final, televised to 56 countries, became embroiled in controversy 10 minutes from the end of regulation time.

United center back Kevin Moran was booked, then sent off after fouling Peter Reid as the Everton midfielder advanced on goal. Despite vigorous protests from Moran, his teammates and the Everton players, referee Peter Willis stuck by his decision.

A distraught Moran, the first player to be dismissed in a Wembley Cup final, had to be restrained by teammates as he protested to Willis. He was escorted from the field, in tears, by his manager, Ron Atkinson.

Striker Frank Stapleton replaced Moran and that, if anything, seemed to inspire United. United last won the cup two years ago with a 4-0 victory over Brighton, while Everton was defending the trophy it won last year by defeating Watford, 2-0.

In a disappointing first half, Everton came closest to scoring when, after 10 minutes, United goalkeeper Gary Bailey punched out a long throw by Gary Stevens that had the defense looking very uncertain. The ball fell to Reid, who cracked a volley from 25 meters (27 yards) only to have United's John Guidman, with a lunge, turn the ball away off his toe and onto the goal post.

Some 13 minutes later, Frank Stapleton pulled out a good save from Southall, but that was one of the few saves the Everton goalkeeper was called upon to make.

Most of United's creative moves — with Jesper Olsen, Gordon Strachan and Mark Hughes usually involved — were shut down by Everton's fast and well organized defenders. At the other end, Gray and Graeme Sharp caused frequent problems in the air. But they, too, could not create many chances. (AP, UPI)

Cardinals Trade Smith
The St. Louis Cardinals traded outfielder Lonnie Smith, the catalyst of their 1982 championship team, to the Kansas City Royals on Friday for outfielder John Morris, United Press International.

Smith, who holds an \$850,000 contract, was deemed available because of the emergence of rookie Vince Coleman, an excellent base stealer.

In the Cardinals' championship season, Smith batted .302 and was a top candidate for the NL's most valuable player Award. The outfielder, who led the NL in runs scored, 120, that year and swiped 68 bases, hit .321 in the World Series as St. Louis defeated the Milwaukee Brewers in seven games for its first world title since 1968.

On Mixed Day for Streaks, Yanks Win 6th Straight

Compiled by Our Staff From Dispatches
ANAHEIM, California — For the New York Yankees, Billy Martin and Ricky Henderson, Saturday was a day to extend a five-game streak.

It was also a streak-prolonging day for the Detroit Tigers' Darrell Evans, who hit a home run for the fourth game in a row, and a streak-breaking one for the Texas Rangers, who won their first game in eight outings, and for the Cleveland Indians, who ended a five-game slide.

But for the Kansas City Royals and the Minnesota Twins, Saturday marked the end of winning streaks.

In the National League, it was also a mixed day for streaks. The Cincinnati Reds won their fourth straight, but the Montreal Expos lost their fifth game in six. And the New York Mets lost only their second extra-inning game in 25.

The Yankees stretched their winning streak to six games by defeating the California Angels, 6-1, with the help of Henderson's two-run single, while Randolph's two-run double and strong pitching from Joe Conway and Brian Flynn.

The victory also was Martin's sixth straight, and his 12th in the 17 games he has managed since George Steinbrenner, the Yankees' owner, called him in to replace Yogi Berra on April 28.

For Henderson, who was returning to the lineup after missing four games with a bruised elbow, it was a chance to extend his hitting streak to 12 games. He did so with a two-out single off loser Tommy John that gave the Yankees a 2-0 lead in the second inning.

Cowley held the Angels to six singles in 6 1/2 innings. Fisher got Reggie Jackson to hit into an inning-ending double play and inspired the Angels in order over the final two innings for his first major league save.

Bobby Meacham's seventh-inning double gave the Yankees a 3-1 lead and they added three in the eighth on singles by Don Baylor and Butch Wynegar. Randolph's two-run double and a suicide squeeze run by pinch hitter Mike Pagliaro.

Brewers 7, Royals 2
In Milwaukee, Ted Simmons and Mark Brouhard hit successive two-run doubles as the Brewers broke a tie with five runs in the seventh inning that ended Kansas City's six-game winning streak.

Blue Jays 3, Twins 1
In Minneapolis, Jesse Barfield doubled, tripled and scored twice,

gave the Mariners a comeback victory over Baltimore.

Braves 4, Cubs 3
In the National League, in Atlanta, Rick Mahler hit a three-run double in the second inning to support his eighth victory, a major-league high, as he beat Chicago.

Padres 8, Expos 2
In Montreal, Dave Dravecky and Rich Gossage combined on a four-hitter and Kevin McReynolds hit his fourth homer, helping the Padres send the Expos to their fifth loss in six games.

Reds 8, Pirates 6
In Pittsburgh, Tom Browning pitched a five-hitter for his first major-league shutout to lead Cincinnati to its fourth straight victory, and Dave Parker collected three hits against his former teammates, including his third home run in as many games.

Giants 8, Mets 2
In New York, pinch hitter Gary Rajsch batted in two runs with a 10th-inning single and set off a six-run rally that gave San Francisco its triumph. The loss was New York's second in extra-inning games dating to July 26, 1983.

Phillies 7, Dodgers 5
In Philadelphia, Von Hayes

broke a 5-5 tie with a two-run home run in the sixth, beating Los Angeles.

Astros 6, Cardinals 5
In Houston, Nolan Ryan allowed six hits over 8 1/2 innings and survived a two-run ninth, his first victory since April 14 defeating St. Louis. (AP, UPI)

Cardinals Trade Smith
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SCOREBOARD

Baseball

Friday's and Saturday's Major League Line Scores

FRIDAY'S RESULTS	
AMERICAN LEAGUE	
Boston	662 100 0-0 11 8
Cleveland	662 100 0-0 11 8
Chicago	662 100 0-0 11 8
Detroit	662 100 0-0 11 8
Kansas City	662 100 0-0 11 8
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Minnesota	662 100 0-0 11 8
New York	662 100 0-0 11 8
Seattle	662 100 0-0 11 8
St. Louis	662 100 0-0 11 8
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Washington	662 100 0-0 11 8
White Sox	662 100 0-0 11 8
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NATIONAL LEAGUE	
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